Why BAM Is a Growth Stock Hidden in Plain Sight

Description

Many investors, Canadian or otherwise, may be familiar with **Brookfield Asset Management** (TSX:BAM.A). With a portfolio of assets worth more than US$750 billion, this company is one of the largest alternative asset management firms in the world. Brookfield Asset Management is also highly regarded by investors due to its blue-chip characteristics. However, have you ever looked at this company as a growth stock?

In this article, I'll discuss why investors may be looking at Brookfield Asset Management the wrong way.

Why this stock should be considered for its growth

The first thing that comes to mind when I think of Brookfield Asset Management is its large portfolio. Either directly or through its subsidiaries, Brookfield Asset Management has exposure to the infrastructure, insurance and claims, real estate, renewable utility, and private equity markets. However, in my opinion, the size and diversity of its portfolio aren't the most impressive things about this company.

What's equally as impressive, if not more so, is how fast Brookfield Asset Management's portfolio has grown. Over the past four years, its portfolio has grown at a compound annual growth rate (CAGR) of 26%. If the company can maintain that pace, then it could boast a $1 trillion portfolio within the next couple of years.

That ability to grow its portfolio at an unbelievable pace is reflected in Brookfield Asset Management's stock price. Since November 2006, Brookfield Asset Management stock has gained 278% (dividends excluded). That represents a CAGR of about 8.6%. For comparison, the TSX has gained about 66% over the same period, representing a CAGR of about 3.2%. This means that Brookfield Asset Management stock has more than doubled the returns of the broader market over the past decade and a half.

Why Brookfield Asset Management would make a great investment

Although Brookfield Asset Management stock isn't currently in my portfolio, I plan to add it as a holding sometime in the future. I believe other investors should do the same. This company is led by its long-time chief executive officer (CEO) Bruce Flatt, who is often referred to as "Canada's Warren Buffett." The two investors draw comparisons due to their value investment style, long tenures as CEOs, and large ownership stakes in their respective companies.

Flatt is also regarded as a pioneer among real asset investors. This foresight to predict that real assets could become a crucial part of investment portfolios is something that investors shouldn't take lightly. It tells me that Flatt is able to analyze market trends and stay ahead of his competitors.

Investors should also be happy to know that Brookfield Asset Management's financials are exceptional. In the second quarter of 2022, the company reported nearly US$1.5 billion in net income. In addition, the company boasts about US$111 billion in cash on its balance sheet. These characteristics indicate that the company could be able to withstand any periods of economic uncertainty that we may encounter in the future.

Investors should consider more than tech companies when looking for growth. Brookfield Asset Management is an excellent example of a stock that can provide market-beating growth. There's a lot more to this stock than meets the eye.

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