Better Buy: Berkshire Hathaway Stock or Brookfield?

Description

Berkshire Hathaway (NYSE:BRK.B) and **Brookfield Asset Management** (TSX:BAM.A) stocks share many similarities. Both are holding companies. Both are owned by "superinvestors." And both are considered value stocks.

If you look at the portfolios of top value investors, you'll see both Berkshire and Brookfield among them. Berkshire Hathaway owners include Charlie Munger, Warren Buffett, and Li Lu. Brookfield holders include Mohnish Pabrai, Chuck Akre, and presumably Howard Marks (Brookfield bought 61% of Marks' company for a combination of stock and cash). These names constitute a "who's who" of top value investors, making Berkshire and Brookfield quality names picked by the best of the best.

So, which of these two stocks is the better one? My own position on this is somewhat obvious: the disclosure below shows that I own Berkshire but not Brookfield. However, I have begun to get interested in Brookfield, and I may take a position in it in the future.

In this article, I will explore various reasons for investing in Berkshire Hathaway and Brookfield Asset management, so you can decide which is the better buy for you.

The case for Berkshire Hathaway

The case for Berkshire Hathaway rests on the company's long-term track record. Over the last 60 years, the stock has returned 20% per year, resulting in cumulative performance about 150 times greater than that of the S&P 500.

Warren Buffett, Berkshire's chief executive officer (CEO), is generally considered the best investor of all time. Some investors have gotten better results than he has over short timeframes, but none have done so over as long a period. In terms of long-term results, it's hard to match Buffett's track record.

With that said, Buffett is 92 years old, and he won't be running Berkshire forever. If Buffett is the main reason why Berkshire has done well, then that's not the best reason to buy the stock today. It should do reasonably well when Canada's own Greg Abel takes over the CEO role but not as well as it did in the early years.

The case for Brookfield

The case for Brookfield Asset Management comes down to growth potential and dividends. Brookfield is a much smaller company than Berkshire, which means that it has a higher ceiling than Berkshire does. Berkshire Hathaway is so big now that it’s difficult for the company to grow dramatically by buying out a smaller company. It has about US$958 billion in assets on its books, which is over a trillion in Canadian dollar terms. Meanwhile Brookfield’s entire market cap is $97 billion.

If a $100 billion company buys a $10 billion company and sells it for $20 billion, then its stock price should rise by 10% (the amount of profit gained by selling the company). Meanwhile, if a $1 trillion company buys that same $10 billion company and sells it for $20 billion, the return for the company’s investors is only 1%. Both companies double the value of the investment, but for the smaller company, the investment is bigger as a percentage of total assets.

So, Brookfield has some built-in advantages over Berkshire when it comes to growth. It also pays a dividend that yields 1.3% and has grown by 8.34% per year over the last five years. That might make it a better investment than BRK.B for investors seeking cash flow.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:BRK.B (Berkshire Hathaway Inc.)
3. TSX:BN (Brookfield)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. andrewbutton
2. kduncombe

Category

1. Investing

Date
2025/09/30
Date Created
2022/12/06
Author
andrewbutton