



## How to Invest When the Stock Market Makes You Worry

### Description

Equity markets across North America seem to be heading higher each day. While many investors are happy to see a rising portfolio, it's hard not to feel nervous that a correction might be around the corner. The problem with corrections is that they are tough to predict and few, if any, investors can actually maneuver around the market to avoid one. This is why investors need to learn how to invest even when the market makes them nervous.

### A track record of success

The key is to take the long-term approach to buy and hold through the good times and the bad. It's this same approach that **Brookfield Asset Management Inc.** (TSX: BAM.A)([NYSE: BAM](#)) has taken, which has yielded its investors a 20% compound annual return over the last 20 years.

Because of that track record, Brookfield Asset Management's management team is one to listen to when it discusses investing in a worrisome market. CEO Bruce Flatt did just that in his latest shareholder letter, which specifically addressed how to invest in today's market conditions where greater liquidity is leading investors to aggressively acquire assets. That aggressiveness is causing equity asset prices to surge, which makes investors question how value investors like Brookfield Asset Management find good investments in today's market.

### Words to invest by

In response to that question, which his company often gets asked given today's market, Flatt said, "the answer lies in sticking to our competitive advantages, which are size of capital, global scale, and operating presence." While these advantages are specific to Brookfield Asset Management, the underlying theme of each advantage is needed by all investors to help them invest when the market gets worrisome.

When Flatt talks about Brookfield's size of capital, he might be specifically talking about the company's ability to fund multiple deals at once. However, the idea of having ample liquidity isn't unique to Brookfield. It's really the key to surviving in a worrisome market because having cash in a portfolio allows investors to scoop up shares of their favorite companies when those companies go on sale.

Instead of fearing a correction, long-term investors should embrace it as a buying opportunity.

Likewise, having a global scale might be specific to Brookfield's business, but the idea of diversification is not. Not only should investors be diversified across multiple sectors, but investors should also hold stocks from other countries, as nearly half of all publicly traded stocks are based outside of North America.

Finally, Flatt notes that Brookfield Asset Management has a competitive advantage when it has operational control. He says that it gives the company "knowledge of markets from the grass-roots level, but also provides [the company] the confidence to take investments that require patience."

For investors, the equivalent of having operational control is gaining a deeper knowledge of an investment other than simply reading a few articles on the internet. It's spending time in the stores or with the product and knowing that side of the investment thesis, as well as the numbers the company reports. If investors have deeper knowledge of their portfolios, as well as the companies they want to add to their portfolios, they can confidently take advantage of the market if it sells off, knowing that the long-term thesis is worth waiting on.

### **Investor takeaway**

Having ample cash, being diversified, and having more than just surface knowledge are the keys to investing in any market, especially one that's worrisome. These allow an investor to sleep better at night, as well as to take advantage of opportunities that may arise if the market does correct.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

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