



Should You Buy Low and Sell High?

Description

At first, it may seem silly to ask if one should “buy low and sell high.” Of course, every investor wants to buy at a lower price than the price they sell at. On second thought, I think the answer is not so simple.

The performance of a stock is driven by its underlying business. Some businesses’ earnings and cash flows are volatile. In such cases, it may make sense to aim to buy low and sell high.

However, long-term investors would probably do themselves a service by investing in great businesses that they would love to own forever.



Stocks to buy low and sell high

Any stock that is directly impacted by the ups and downs of their underlying commodity prices falls in this category. This includes **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT), which is dependent on the prices of potash, nitrogen, and phosphate, and **Spartan Energy Corp.** (TSX:SPE) and **Birchcliff Energy Ltd.** ([TSX:BIR](#)), which are dependent on oil and gas prices.

Let’s not forget precious metals miners, such as **Goldcorp Inc.** (TSX:G)(NYSE:GG).

Simply take a look at their multi-year price charts, and you'll understand where my rationale comes from. The problem, of course, is figuring out when the stocks are low and high.

Without understanding the complex dynamics of the industries, it's very difficult to call the bottom and the top. Heck, even industry experts have trouble doing it. So, if you decide to buy low and sell high in these types of stocks, do so in moderation.

A stock to own forever

Personally, I prefer to have most of my portfolio in businesses I'd like to own forever. One such business is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). You get to invest alongside **Brookfield Asset Management**, its general partner and manager, which has skin in the game — it owns about 30% of Brookfield Infrastructure.

Management engages in global value investing; they invest wherever investment capital is scarce and where there are high-quality, long-life infrastructure assets. That's when the company can get the best deals.

This has reflected in the stock's performance. Since the end of 2014, the stock has delivered annualized returns of 24%. Moreover, it has delivered dividend growth on average of 14% per year since 2009.

Nothing has changed about the business other than it becoming more diversified — either with internal projects or acquisitions that are accretive to its cash flow per share.

Going forward, management aims to grow the company's dividend per share by 5-9% per year. If I must say, the one thing that has changed is that the stock has become more expensive as investors recognize its quality and safe, growing dividend.

Conclusion

Aim to buy quality businesses that you'd love to own forever.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:BIR (Birchcliff Energy Ltd.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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