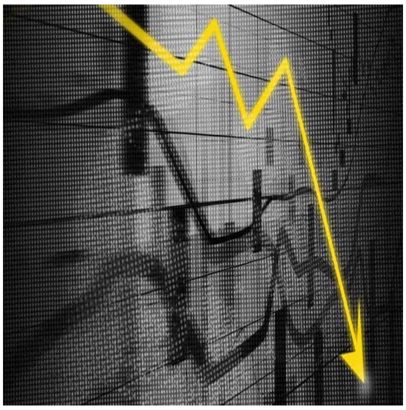

Trade War Worries? Adopt This Warren Buffett Principle and Turn Volatility in Your Favour

Description

We're in the middle of some very uncertain times.

No economist, analyst, or seasoned market forecaster can predict how the trade war will unfold, so do yourself a favour and stop trying to get in the mind of President Trump. Nobody knows when he'll tweet threats to China next, what his strategy really is, or if he's willing to compromise, as the economy continues to feel the effects of tit-for-tat tariffs.

The best thing you can do in such noisy times is to tune out the talking heads on television that tell you to make extreme moves in your investment portfolio. Should you sell everything over fears that the trade war will spark a recession? Or should you buy and put the entirety of your cash hoard to work before the markets melt-up on a trade deal? Forget about these extremes and focus on what you're able to control, rather than betting on the outcome of an exogenous event.

Warren Buffett couldn't care less about economic projections over the near to medium term. He'd much rather focus his efforts on things that are under his control and focus on buying pieces of wonderful businesses at discounts to their intrinsic value. While economy-crushing tariffs may negatively impact many businesses, such an impact has likely already been baked in to shares of many companies and then some.

In spite of the potentially dire economic circumstances, you can still pick up businesses that'll do well over time. The trade war will eventually resolve itself, whether it's in a month, a year, or five years, and wonderful businesses that have the ability to overcome the temporary bout of turmoil will be the ones that'll enrich you.

Buffett notes that you wouldn't buy a farm based on year-ahead expected output or near-term weather conditions. He believes the same should be thought of when it comes to buying securities.

Consider shares of **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS), which have lost their lustre in recent months. The legendary luxury outerwear maker went from being the hottest Canadian growth firm with an ambitious Chinese growth plan to a company whose Chinese expedition is at risk of being cut short thanks to exogenous geopolitical turmoil.

While shares have retreated 30% from their highs, they're still not exactly what you'd consider as a "value investment" at over 77 times trailing earnings. While Canada Goose stock still seems ridiculously expensive, I think the damage done to the stock is exaggerated to the downside, especially when you consider the exceptional stewards running the show who've been firing on all cylinders with things that are under their control.

I've applauded CEO Dani Reiss many times in the past, and while shares could continue to be pummelled in the event of a retaliation against Canadian goods as a response to a potential Canadian ban of Huawei's 5G infrastructure, Canada Goose has been making moves to improve its manufacturing capabilities, which will bode well for the firm's continued international expansion over the longer term.

As the firm continues to pick up traction with its direct-to-consumer channel, which grew nearly 80% year over year as of Q3 fiscal 2019, I see room for significant margin expansion. If you're looking for a busted but not broken growth stock, Canada Goose may be the horse to bet on as U.S.-China tensions continue to weigh.

Don't back up the truck all at once, though. Take a quarter position today and keep nibbling on further weakness as Trump's trade war takes it to the next level.

Stay hungry. Stay Foolish.

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