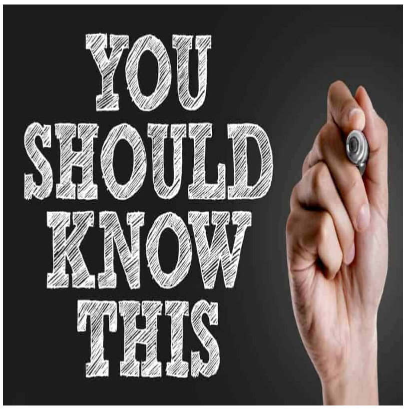

How to Invest in a Trade War

Description

The markets have been erratic over the last few years, to say the least. Big ups and big downs have been too much to handle for many of those with sensitive stomachs, but like it or not (traders sure love it!), it's the new norm. Corrections are healthy, and whether they happen once or several times a year, it's good to get used to a market that's not always headed upward.

In these times of economic warfare, nobody, not even the most seasoned economist, can predict where we'll be in a week, a month, or a year from now, because the trajectory of the market is heavily tied to the actions (and words) of one man — President Trump. And unless you've got a crystal ball, it doesn't make sense to be overly bullish or bearish, because by doing so, you're maximizing the chances that you'll be completely wrong.

As an investor, you shouldn't treat the markets as a casino, as many economists in the mainstream financial media have been doing: the "odds" of this happening is X; the "odds" of this than that, but not something else is Y. Just tune out that noise entirely and focus on what you can handle. Be ready to roll with the punches and don't let anyone convince you they know when the trade war will end or what market implications a deal (or no deal) will imply.

The so-called pundits making bold calls are just trying to get their 15 minutes of fame should they be proven right. And if not, they'll run from the spotlight, and you probably won't hear from them for a very long time. So, instead of seeking shallow economic predictions, consider positioning your portfolio to win whatever Mr. Market pitches your way. Buy wonderful businesses that are going to continue to roll along as volatility takes command.

Consider **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM), a robust alternative asset manager with businesses across the alternative asset spectrum. The company has over $330 billion in real estate, renewable energy assets, infrastructure assets, and private equity.

The stock has been humming along since coming out of the depths of the last recession and what has me incredibly bullish on the name is the fact that it manages alternative assets that aren't very correlated to the performance of the broader market or the geopolitical tensions that have been brewing.

As you may know, alternative assets are a great way to score high returns while providing your portfolio with a lower correlation to equities. Brookfield is a one-stop shop to get the prime alternative asset classes together with exceptional management in one security.

Although alternative assets imply a lower beta (a lower correlation to the broader market), Brookfield Asset Management is more volatile than your average stock with one-year and three-year betas of 1.25 and 1.16, respectively. That's because it's a stock first and an alternative asset manager second to many short-term thinkers. Unlike many other high-beta stocks though, Brookfield is backed up by steady and continuously growing cash flow from operations that aren't tightly knit with the performance of the broader economy. Should the economy fall into a nasty recession though, don't expect alternative assets or Brookfield to hold their own.

Alternative assets, as great as they are to have in your portfolio for diversification, are not immune from crises. So, should the trade war cause an unlikely recession, Brookfield will flop, but if it's just short-term fluctuations that are resolved eventually, Brookfield will come out on top as the broader market drags.

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