



How to Prepare Your Money for Future Market Crashes

Description

[Every market crash](#) teaches us a lesson. And as every crash is different from the others (no matter how similar the consequences), investors can learn something new every time. But the problem is that you can't prepare against every eventuality.

Even if you have substantial resources, you can't build up a perfect portfolio of assets that are immune to market corrections and downturns.

That said, diversification is the easiest way to spread out your risk. While it might not be the best course of action if you seek explosive growth, it can and does shift your centre of gravity a bit lower so your investments are standing on stronger legs.

While diversification can take on many forms, the simplest one that many investors use is picking up stocks from different sectors.

A real estate stock

Summit REIT ([TSX:SMU.UN](#)) is an [industrial REIT](#) that focuses primarily on light industrial properties instead of heavy manufacturing spaces. The company is led by an experienced management team and has done an amazing job, especially in the past few years.

The valuation of the company in the past decade was completely different from this one. It truly hit bottom in January 2012, when the company fell from a stock price of \$40 something to \$4.

But in the past five years, the company grew steadily. Its market value grew well over 130% in the past five years (before the crash), and while it's still down about 20% from its pre-crash value, it's recovering swiftly. The company's total assets are almost double its liabilities, and it offers a passable return on equity of 15.8%, which actually grew from the last quarter.

The bulk of its properties are in Ontario and Alberta. It also offers monthly dividends at a yield that's currently juicy enough (4.87%) and a stable payout ratio of 36.35%, so growth potential and dividends

are both good reasons to consider this stock.

A management consulting company

People Corp ([TSXV:PEO](#)) is an oversold stock from the [junior exchange](#) that attracted investors thanks to its steady and considerable growth in the past five years. Even now, when the company is trading at a price that's 11% down from its pre-crash valuation, the five-year returns of the company stand at about 122%, and the compound annual growth rate (CAGR) of 17.3%. That's enough to grow \$10,000 into a quarter of a million in about 21 years.

People Corp has a market capitalization of \$684 million and a total debt of about \$133.8 million. It provides group benefits and HR solutions to businesses across the country and creates plans and solutions specific to the business and its employee's needs. The company doesn't offer dividends.

A risky gold exploration company

Great Bear Resources (TSXV:GBR) is another company from the **Venture Exchange** that's offering rapid (and probably unsustainable) growth right now. The company's three-year returns are a whopping 6,593%, and the CAGR stands at 300%.

To put it into perspective, **Shopify's** three-year CAGR is 116%. This kind of growth is typically not sustainable. But if it can continue at even half its current growth pace, it can grow your investment four-fold within a year.

The company has a market capitalization of about \$827 million. Its major focus is the Dixie project (near Red Lake, Ontario), where it has 100% royalty-free interest. It has three other regional projects as well, but most of its fate is tied to the Dixie project.

The stock might not be able to sustain its current pace of growth, but if you are willing to risk it and bank on the stability of gold, you may consider adding the Great Bear into your portfolio.

Foolish takeaway

Diversifying your portfolio doesn't mean you can add random stocks. You have to vet each stock, compare it to its peers in the same industry, and evaluate each one on its core merits.

You will find great and some not-so-great companies in each sector, and it's your job to determine which is which.

CATEGORY

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

TICKERS GLOBAL

1. TSX:SMU.UN (Summit Industrial Income REIT)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

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

Date

2025/09/11

Date Created

2020/06/26

Author

adamohtman

default watermark

default watermark