



## Stock Correction: How Investors Can Stay Calm

### Description

Even experienced investors can feel down in a bear market. However, the best long-term returns are accumulated from buying during market downturns. Here are a few tips to help investors stay calm in a turbulent sea of stocks.

### Have sights set on the long term and underlying businesses

In the near term, stocks can sell off. In the long term, they follow the company fundamentals. Stocks are driven by underlying businesses. If these businesses stay strong and are doing fine, their stocks will eventually come back.

For example, **Brookfield Business Partners** ([TSX:BBU.UN](#))([NYSE:BBU](#)) reports lumpy profits because of the nature of its business. So, it's all the more important to aim to buy low and sell high in the bumpy stock. Right now, it trades at the low end of its 52-week and multi-year trading range. Investors will need to exercise patience in the industrial stock, as substantial price gains could take a few years to materialize.

BBU is a global business services and industrial company that's focused on long-term capital appreciation. It employs value investing to buy quality businesses when they are undervalued. Then it applies its operational expertise to enhance these businesses before selling mature assets to redeploy into other opportunities.

Specifically, it targets return on investments of 15-20% for the long haul. Investors can imagine that if they accumulate shares when the stock trades cheaply (as it is now) and wait patiently for price appreciation, they can secure returns around the high end of the range (if not higher). Since the stock focuses on capital appreciation, its yield is small at about 1.14% at writing. Based on today's basement price, BBU stock could double from current levels.

### Earn safe dividends

Some investors will stay calmer by investing in higher-yield stocks that provide safe dividends. The first reaction of real estate investment trusts ([REITs](#)) in the face of rising interest rates is correcting with the rest of the market. However, many REITs still pay safe and juicy yields. It's in the hands of investors to take advantage of income-generating opportunities.

For example, you might put **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](#)) on your radar. The healthcare REIT has become more attractive by dipping by 13% in the last three months. It now yields close to 6.6% and can provide price appreciation, too. The global REIT's cash flows are supported by long-term contracts with inflation escalations and high occupancy of about 97%.

Analysts think the stock is undervalued by about 20% at \$12.18 per unit. Notably, though, in the last market crash, the high-yield stock corrected more than 40% from peak to trough. If that were to happen, it could retreat to the \$8.60-per-unit level. No one knows how bad this stock market correction could be or how long it would last.

Investors who are already in the stock can focus on counting the cash distributions that come in every month. And perhaps buy more shares at cheap prices over time.

## Buying great businesses at discounts

[Bear markets](#) provide excellent buying opportunities for long-term price appreciation and income. Keep watch of a diversified basket of wonderful businesses across different sectors and set price or yield targets to buy at. Low-cost [online brokerages](#) make it economical to build positions systematically. When you keep buying as prices go lower but the business fundamentals haven't changed nearly as badly, your average cost basis is lowered, and you're building bigger positions in solid businesses that you can expect exceptional returns over the next five years.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. TSX:BBU.UN (Brookfield Business Partners)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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