



Value Investors: 2 Stocks to Invest in During the Downturn

Description

The art of value investing requires picking up those “discarded cigarette butts” and grabbing another puff or two, as iconic investor Warren Buffett would say. In other words, buying equities when everyone else is running for the hills has proven to be a time-tested strategy, which generally outperforms over long periods of time.

In this article, I have two beaten-up picks for value investors. These are solid picks for those who don't mind a little near-term downside momentum in the search for long-term value.

Canadian National Railway

Canada's railroads have lost approximately one-third of their value in about a month, at the time of writing. This is due to obvious concerns about a global recession impacting the Canadian economy in a meaningful way. After all, the success of companies like **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) is highly correlated with growth in the North American economy.

That said, Canadian National has an impressive backlog it will need to work through before load factors are impacted in a meaningful way. Therefore, this backlog provides a near-term cushion, which should soften the blow for investors cringing at Q1 earnings possibilities.

Rail remains much more economical and environmentally friendly than other land transportation methods. This fact provides some medium-term stability in the face of broader pessimism around economic growth long term. Should we enter a meaningful recession, CNR will get hit hard. However, CNR will perhaps not be hit as hard as many other Canadian businesses from a solvency and earnings perspective. Therefore, this railroad is a top long-term pick for me, despite near-term turbulence.

WPT REIT

Another one of my favourite companies to follow that has been hit hard of late is **WPT Real Estate Investment Trust** (TSX:WIR.U). This REIT holds a number of high-quality industrial real estate

properties centered in the United States. This means Canadian investors are able to get access to an asset mismatch via this Canada-listed REIT holding U.S. assets, earning income in U.S. dollars. Therefore, Canadian investors will benefit from currency diversification and WPT's international focus.

By investing in WPT, Canadian investors will also get access to properties that would otherwise be unattainable to individuals. We're talking about warehouses and industrial real estate in prime locations, often valued at more than US\$10 million each. These properties are mainly occupied by blue-chip tenants with long-term leases. Therefore, this REIT's cash flow is much more stable than, say, a residential/apartment REIT with shorter lease durations and lower average tenant quality.

Stay Foolish, my friends.

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1. Investing

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1. bear market
2. real estate
3. recession
4. transportation

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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