



3 Stocks You Should Buy Instead of the Index

Description

Every year, more and more Canadians are putting their savings into index funds, helping to achieve diversification while saving costs. It's a strategy that's hard to argue with.

But there is one major problem with buying a Canadian index fund: We have a poor index. The top three sectors — finance, energy and materials — account for about 70% of the **S&P/TSX Composite**, so buying the index isn't really getting you the diversification you want. Worst of all, these sectors can swing wildly over the course of a cycle, as can the stocks within them.

Instead of buying the index, there's nothing wrong with choosing a limited number of quality companies and holding their shares for the long term. Below are three you should consider.

1. Brookfield Asset Management

When investing, just like at work, it always helps to have the best people working for you. And few management teams have a better track record than the people at alternative asset manager **Brookfield Asset Management** (TSX: BAM.A)([NYSE: BAM](#)). This is reflected in the company's share price, which has returned over 15% per year over the past 15 years.

Brookfield is composed of various hard assets such as office properties, retail malls, power generating facilities, and other infrastructure projects. Certainly these are more reliable investments than a mining company on the TSX. And at 13 times trailing earnings, the shares aren't overly expensive, either.

2. SNC Lavalin

SNC Lavalin (TSX: SNC) is Canada's largest engineering and construction firm, operating in sectors such as power, infrastructure, energy, and mining. The company is well-diversified, with no sector accounting for more than 25% of revenue in 2013. And a third of revenue comes from outside of Canada. SNC also has stakes in a number of special projects, such as Highway 407 (outside Toronto), a power plant in Algeria, and the Malta International Airport.

The stock price suffered badly a couple of years ago in the wake of corruption scandals, but has slowly

recovered since then. SNC remains one of Canada's premier companies, and with new management in place, has left its scandals behind.

3. Agrium

As long as we all need to eat, there will be demand for **Agrium's** (TSX: AGU)(NYSE: AGU) products and services. The company makes money off of fertilizer production and a dominant agriculture retail network. Profits are well diversified by both product line and geography — Agrium has locations throughout North America, South America, and Australia.

Agrium also has a strong track record of growing net income and dividends; as a result, its stock price has performed very well over the past 10 years, returning 19% per year. And with such a strong, diversified franchise, the company looks set to further reward patient investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:BN (Brookfield)

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