Don’t Trade Too Often Like Every Other Investor; Buy These Two Stocks for the Long Term Instead

Description

It’s a well-known fact that investors, especially males, trade too often. And that can take a serious bite out of returns. Not only do these trades result in higher fees, but they are also typically made at the wrong times.

On Tuesday, a new survey by BMO Investorline shed some light on why this is the case: overconfidence. In fact, the study found that 83% of men “feel confident when making investment decisions.” The corresponding figure for women was 68%, not as much as the men (which should surprise no one), but still quite a high number.

But other surveys show investors have very little to be confident about. Over the past 20 years, the average investor has earned less than 3% per year, compared to over 9% for the **S&P 500**.

So there’s a hard lesson in all of this: Don’t trade too often! In fact, you should really only look for stocks you’d be willing to hold for 10 years or more. Below are two examples.

1. Canadian Natural Resources Ltd.

Over the past 15 years, few energy companies have a better track record than **Canadian Natural Resources Ltd.** (TSX: CNQ)(NYSE: CNQ). Over this time, the stock has returned 17% per year. What’s the company’s secret?

Well, first of all, CNRL has done a fantastic job of controlling costs, something not often found in Canada’s energy sector. But just as importantly, it has allocated capital very smartly, again something rare in Canadian energy.

For example, early this year many companies were looking to sell assets, especially those weighted toward natural gas production. CNRL was one of them. But then, after realizing that this was a buyer’s market, the company decided to *buy* $3.1 billion worth of gas assets from **Devon Energy** instead. It’s almost a certainty that CNRL got these assets for a bargain.

So what will CNRL shares be worth in six months? No one knows. But that's not the question you should be asking yourself. Instead, this is a stock that should be held for many years.

2. Brookfield Asset Management Inc.

Like CNRL, alternative asset manager **Brookfield Asset Management Inc.** (TSX: BAM.A)(NYSE: BAM) has a fantastic long-term track record — over the past 20 years, its shares have returned 19% per year. Over a time period that long, you can't chalk it up to luck.

Instead, Brookfield has consistently bought assets very smartly, and with a long-term mindset. This has two benefits. One, the company's own capital has grown very substantially. Two, the company is better able to draw in outside capital. For example from pension funds, which it then manages for a fee. Just last year alone, Brookfield made roughly $300 million in fee-related earnings.

Again, this isn't a stock you should own for the next six months. Rather, this stock should be held for many years. And as long as Brookfield continues to perform well, its shareholders should do just fine. As long as they don't sell too early.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BN (Brookfield)
4. TSX:CNQ (Canadian Natural Resources Limited)

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