



The 10 Best Stocks in Canada

Description

Passive investors — those who only invest in index or mutual funds — are really at the whims of the market. Unfortunately, the market can be quite fickle as it can go from having a good year, to turning in lousy performance faster than your broker can send you the next quarterly statement. We saw this at the end of 2014 as tumbling oil prices took the resource-focused Canadian stock market down with it.

Canadian market

Thankfully, there is a much better way to invest than to be tossed and turned by the whims of the market. Simply invest in great stocks and hold them for the long term. We see this demonstrated by looking back at the great stocks of the past decade, where long-term holders saw returns of 1,000% or more, while the Canadian stock market, as measured by the **S&P/TSX Composite**, was only 56%.

Looking back

Backward-looking lists of top gainers have their limitations, but you can learn a lot by looking at history — especially in studying the patterns and reasons certain companies outperformed. By looking back at the best Canada has had to offer over the past decade, we can be better prepared to find the winners of the *next* decade. Here's the somewhat surprising list of the top Canadian stocks of the past decade.

Company (Ticker)	Dividend-Adjusted 10-Year Return	Current Market Cap	Industry
1. Catamaran Corporation (TSX: CCT)	4,099%	\$11.9 billion	Health Care
2. Computer Modelling Group Ltd. (TSX: CMG)	3,570%	\$929 million	Software
3. Absolute Software Corporation (TSX: ABT)	2,708%	\$350 million	Software
4. Stella-Jones Inc. (TSX: SJ)	2,409%	\$2.3 billion	Wood products

5. Pacific Rubiales Energy Corp. (TSX: PRE)	2,218%	\$2.2 billion	Oil & Gas Exploration and Production
6. New Look Eyewear Inc. (TSX: BCI)	1,839%	\$300 million	Health Care
7. Intrepid Mines Limited (TSX: IAU)	1,788%	\$142 million	Metals and Mining
8. Equity Financial Holdings Inc. (TSX: EQI)	1,463%	\$89 million	Financial Services
9. Neptune Technologies & Bioressources, Inc. (TSX: NTB)	1,387%	\$169 million	Health Care
10. MTY Food Group Inc. (TSX: MTY)	1,292%	\$650 million	Restaurants

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Data from S&P Capital IQ. Market cap in U.S. dollars. Returns as of market close on Dec. 17, 2014.

What's interesting about that list is that it shows that great stocks can be found in almost every industry. While we might expect to see some software and healthcare companies on that list, we also see less growth-centric industries like mining, oil and gas, and wood products. What this list shows is that greatness can be found almost anywhere, if we know what to look for.

Let's dig a little deeper into a few of the more interesting stocks of this past decade's best stocks.

1. The number one stock in Canada over the past decade is an interesting lesson. **Catamaran** (TSX: CCT)(NASDAQ: CTRX) actually started out under a different name and in a slightly different business than the one that sent it to the great heights we find it today. The predecessor to Catamaran developed a software platform to meet the needs of a group within the healthcare sector.

However, through its software offerings the company saw an opportunity within its existing customer base to begin to consolidate its customers. Taking advantage of that opportunity turned it into one of the leaders in its industry and the top stock of the past decade.

2. Sticking with the niche software theme, the next best company in Canada over the past decade is **Computer Modeling Group** ([TSX: CMG](#)). It develops reservoir simulation software for oil and gas companies. That software helps the energy industry build models that more accurately predict where

oil and gas is located in a reservoir so that these companies can make efficient plans to recover that energy. By creating software that enabled its customers to make more money, Computer Modeling was able to create a lot of value for its investors.

4. One name that I bet few investors expected to find on a list of the 10 best stocks over the past decade is a wood products manufacturer. However, **Stella-Jones** ([TSX: SJ](#)) has been such a steady performer through the years by becoming the leading manufacture of pressure treaded wood products in North America. Sounds boring, especially when we see that the company's core products are railway ties and utility poles. However, even boring business can make investors a lot of money by dominating a niche.

Add it up

Where to from here? Well, while it's possible that the next decade's great stocks could be from the list above, it will be much harder for these companies to repeat that past success.

In some cases their sheer size now will make it hard for them to replicate the run over the next decade. But the best stocks of the next 10 years will have similar characteristics:

1. They'll be small and overlooked.
2. They'll be disrupting their industries.
3. They'll be focused on doing one thing exceptionally well.

Finally, a word of caution: Your portfolio shouldn't be completely built around stocks with these characteristics. Further, be careful with micro-cap stocks as several names on this year's list are really small and therefore quite risky. However, with a well-diversified portfolio, you can afford the risks that come with investing in at least one smaller company before it grows into the next Catamaran.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)

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