



The Not-So-Obvious Reason for Owning Linamar Corporation

Description

Linamar Corporation ([TSX:LNR](#)) delivered double-digit earnings and sales growth for the first quarter of 2016; they were record results, no less. With business humming, you would think investors would be lining up to buy its stock, yet it closed trading May 6 more than 40% off its 52-week high of \$89.42.

In my opinion, there couldn't be a better time to own Linamar stock. But for those needing a bit more persuasion, let me give you a not-so-obvious reason for owning Linamar Corporation.

Girl power.

Yes, you read that right. More specifically, Linda Hasenfratz power.

The Linamar CEO has been in the top job since August 2002 when she took over from her dad, Frank, who founded the company in 1966. However, she didn't immediately take the reins upon joining the company in 1990. Her father put the Western University grad through an extensive training program that gave her a thorough understanding of the North American and European automotive industry.

So, by the time she took control of the business, she was ready to make things happen. And happen they did.

Since Hasenfratz has been in the top job, Linamar stock has achieved an annualized rate of return of 14.8%, 610 basis points greater than the **iShares S&P TSX Capped Composite Index Fund** ([TSX:XIC](#)). You would think that given this type of performance, more of the top companies on the TSX would entertain the idea of women in leadership positions, yet Hasenfratz is the only woman on *Canadian Business Magazine's* list of the 2015 Top 100 Highest-Paid CEOs.

Hasenfratz earned \$10.1 million last year, most of it in stock options, putting her 23rd on that list. By comparison, former **Valeant** CEO Mike Pearson sat in 15th spot at \$11.3 million, and **Magna** CEO Donald Walker, head of Canada's biggest auto parts maker, is in the second spot, taking home \$23.4 million.

If you need more proof that women-led companies are a good investment, one need not look any

further than the recent announcement that **Bank of Montreal** was launching its BMO Women in Leadership Fund, a portfolio of North American companies that either had a woman at the helm or whose board had at least 25% representation by women.

The data supports the theory that women-led companies deliver superior returns. **Credit Suisse** published a report in 2014 that showed that women CEOs generated a return on equity of 15.2% in 2013, 330 basis points better than their male counterparts.

Currently, just seven out of the 240 companies listed on the TSX have women CEOs. Unfortunately, and it's partly a function of timing, but the average of those seven stocks on an annualized basis over the past three years through May 6 is 2.5%, 380 basis points less than the iShares S&P TSX Capped Composite Index Fund.

Fear not, ladies. Over the long term, the numbers are much more convincing.

Fortune reported in 2015 about a study done by a Boston company that compared the stock performance of 80 women-led companies between 2002 and 2014 and the S&P 500. Quantopian Product Manager Karen Rubin invested a theoretical \$100,000 in each portfolio. With the women-led companies, she bought a company's stock when the woman became CEO, holding through the end of their tenure; the S&P 500 was bought at 2002 and held through 2014.

While only one CEO managed to be in charge through the entire 12-year duration, the women-led stocks delivered a total return of 348% compared to 122% for the index.

Argue all you want about the math and/or science involved in these types of studies, but the reality is that women often make good leaders of businesses because they're generally more collaborative than men and far less quick to react when things go wrong.

Would Linamar have been as successful were it run by a man? Quite possibly. But that doesn't change the fact Linamar shareholders have been blessed with good leadership—and girl power.

It's a mighty combination.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)
2. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

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Date

2025/07/06

Date Created

2016/05/10

Author

washworth

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