



The 3 Best Stocks to Buy for Your Own Quebec Portfolio

Description

In 1997 the *Montreal Gazette* created an imaginary \$100,000 portfolio of 15 Quebec-based stocks; today, it's worth almost \$800,000. In 2016 the portfolio is up 14.7% through the end of May—530 basis points better than the **iShares S&P TSX Capped Composite index Fund** ([TSX:XIC](#)).

While it's tempting to plunk down the money to buy all 15 stocks, you can easily build your own portfolio just by adding these three Quebec-based stocks. They are the best stocks to buy for your own Quebec portfolio.

Alimentation Couche-Tard Inc. (TSX:ATD.B)

Easily my favourite Quebec-based stock, the convenience store operator knows how to grow its business both organically and through acquisitions.

Since 2010 it has made 26 buys, both big and small, which have added almost 4,800 locations worldwide. Its ability to integrate acquisitions is the best in the convenience store business and, quite frankly, one of the best anywhere.

Organically, it's in the middle of [rebranding](#) all of its nameplates on a global basis to the Circle K brand. Once completed, the cost synergies will be significant, not to mention that the ability to market its business across one platform will put it heads above any of its competition.

Growing free cash flow over the past five years by almost 30% annually, Alimentation's management is going to continue to allocate capital better than most. There might be bigger companies based out of Quebec, but, in my opinion, there aren't any that are better.

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#))

Claude Mongeau, the railway operator's CEO for almost seven years and a CN employee for 22 years, announced June 7 that he was stepping down from the top job due to health reasons. At just 54 years of age, Mongeau took a leave of absence last August to undergo throat surgery. Although he returned to work earlier this year, the toll the surgery took on his body made it too difficult for the veteran leader

to carry on the exacting duties of his position. CFO Luc Jobin takes the helm July 1.

Change is never easy, but analysts expect this to be a seamless transition. Jobin has been in his current role as CFO for the past seven years and is a key member of the executive team. While Mongeau was on leave, Jobin coordinated its executive management activities. He's ready to assume the role.

While Canadian National stock has underperformed its peers over the past 52 weeks by a considerable amount—more than eight percentage points—under Mongeau's leadership, the company has seen its revenue over the past five years increase by more than 50% to \$12.6 billion in 2015 with operating margins nearly 42%.

Fool contributor Demetris Afxentiou believes Canadian National is one of the best [growth options](#) available; it's hard to disagree with his assessment given the model of efficiency the railroad's become in recent years.

Look for Jobin to continue the path that Mongeau set after taking over from the legendary Hunter Harrison, who now runs **Canadian Pacific**.

Power Corporation ([TSX:POW](#))

Canadians can't have a portfolio without a financial services company in the mix. We love our financials, but I'm not going with one of the Big Six. Instead, I'm backing the Desmarais stable of [financial brands](#), which includes Investors Group, Mackenzie Financial, Great-West Lifeco, and Canada Life.

You can buy these companies on their own, as part of **Power Financial Corp.**, or through Power Corporation, which owns 65.6% of Power Financial. Recently, I argued that you can own Power Corporation for a multiple that's one-third less than Power Financial. Only two years earlier their multiples were essentially the same.

Power Corporation's performance has been the biggest disappointment of the three stocks I'm recommending. I expect that over the next five years it will make amends. But even if it doesn't, you can rest easy knowing this is not a stock you have to worry about. It's as stable as they come and a great anchor for any portfolio—not just one based in Quebec.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:POW (Power Corporation of Canada)

5. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

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