Investors: Do You Own These 2 Forever Stocks?

Description

According to numerous studies, one important thing separates successful investors from their unsuccessful peers. It was the ability to buy and hold for a very long time.

There's an old expression that says a portfolio is like a bar of soap; the more you handle it, the smaller it gets. Investors just can't help themselves. Rather than assuming that dips and increases were normal parts of a market cycle, many investors read too much into a stock's chart and not enough on the fundamentals.

Most of the time, a stock experiencing a rough patch isn't about to go out of business. A depressed price isn't automatically a selling opportunity, yet many investors view it as such. In other words, they commit the cardinal sin of investing: buying high and selling low.

Instead, many successful investors propose a different strategy–one that's incredibly simple. All you need to do is load up on some of Canada's best stocks and never sell them. If they go down–and they will at some point–it should be viewed as a buying opportunity.

That's it. That's all you have to do.

The tough part of such a strategy is picking the stocks to begin with. Here are two to get you started.

Intact Financial

Intact Financial Corporation (TSX:IFC) doesn't get nearly as much attention as it should.

Since coming to Canada in the 1990s, the company has grown organically and through a series of strategic acquisitions to become Canada's largest property and causality insurer. It has a market share more than 50% larger than its nearest competitor, yet it only commands 17% of a very fragmented industry.

Insurance companies make money in one of two ways. The first is they get to keep the gains from investing premiums that often aren't paid out to customers for years. And second, an insurance company can really supercharge their profits if it can make money on underwriting alone without having to invest the cash. Intact does just that, posting a combined ratio of 94% in the first quarter of 2016. This means the company only paid out 94 cents for every dollar it received in premiums.

The company has traditionally relied on insurance brokers to push its products, which can be challenging at times. Sure, brokers want to save their clients money, but ultimately it comes down to the commission paid by the insurance provider. Rather than fight the model, Intact decided to go another direction: it has expanded into the brokerage business. This offers another interesting growth platform.

And on a valuation perspective, the company is surprisingly cheap. Earnings are expected to slump to

$5.64 per share for 2016–mostly thanks to the Fort McMurray wildfires–but 2017 should be much better. Analysts estimate the company will earn $7.14 per share, giving it a forward P/E ratio of just 13.1.

RioCan

Thanks to fears about interest rates, shares of **RioCan Real Estate Investment Trust** (TSX:REI.UN) have sold off some 15% from recent highs. This is a good buying opportunity to buy a high-quality stock at a reasonable price.

RioCan is Canada's largest REIT, owning more than 45 million square feet of space across 302 different properties. Management takes pride in how diversified the tenant base is with the leading tenant only comprising of 4.7% of total revenue. In total, more than 8,000 different tenants write RioCan a cheque every month. Occupancy stands at a little under 95%.

One of the most attractive parts of owning RioCan is the company's succulent dividend. Shares have a current payout of 11.75 cents monthly, which works out to a 5.3% yield. With a payout ratio of just over 80% of funds from operations, investors don't have to worry about the stability of RioCan's dividend.

In fact, the payout is likely to go up in the near future. RioCan is in the middle of a multi-year development project that will see it add some 10,000 apartments to the portfolio–as well as substantial retail space–and millions to the bottom line. And the company won't have to do into much debt to pay for it all, thanks to the $900 million profit it just made on selling its U.S. portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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