



Forget the Coffee Can Portfolio: The City Portfolio Is Where it's at

Description

For those who aren't aware of the story of the Coffee Can Portfolio, it's a simple one.

Robert Kirby, a former executive at Los Angeles-based Capital Group, one of the world's biggest asset managers, wrote an essay in 1984 for the *Journal of Portfolio Management*. Kirby told the story of a woman he managed money for whose husband bought \$5,000 of every stock he recommended for his wife, but instead of selling when Kirby sold, the husband held firm.

"He paid no attention whatsoever to the sell recommendations," Kirby wrote in his essay. "He simply put about \$5,000 in every purchase recommendation. Then he would toss the certificate in his safe-deposit box and forget it."

When the husband died after about 10 years of Kirby managing the wife's money, Kirby found that a single stock owned by the husband was worth more than the wife's entire portfolio.

The husband created the ultimate buy-and-hold portfolio; what worked then works just as well today.

But, in the interest of having some fun, I've added a twist to the old-fashioned Coffee Can Portfolio. I call it the City Portfolio, and, while it's not new, it can work just as effectively.

The first inspiration for this portfolio comes from *Bloomberg*, which has a group of U.S. city indices, such as the Bloomberg WBBM Chicago Index—a group of 64 U.S. stocks whose companies are headquartered in the Chicago area.

The second is the **Nashville Area ETF** (NYSEARCA:NASH), which got its start in July 2013 and is the first city-based ETF.

Not convinced?

Earlier this year *USA Today* looked at the first-quarter performance of 25 cities and the publicly traded stocks in those towns. Some of the numbers were off the charts. Pittsburgh was the number one performer, up 25.7% in Q1 2016, significantly higher than the 0.2% return for the S&P 500.

That's great, but here in Canada, we don't have as many cities with enough head offices, so we're stuck with Vancouver, Calgary, Montreal, and Toronto as prospective indices.

Instead of picking five to 10 stocks from Toronto or one of our other big cities, I'm going to select a single TSX stock from each of the 10 most populated cities in Canada. When I'm finished, we'll have a diversified portfolio of stocks invested in eight different sectors.

Put the city portfolio away for 10 years, and I'm confident you'll do better than the TSX Composite.

The 10-stock City Portfolio

City	Population	Company	Reason to Own
Toronto	6.1 million	Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)	The most under-appreciated of the big Canadian banks.
Montreal	4.1 million	Alimentation Couche Tard Inc. (TSX:ATD.B)	Arguably one of Canada's best run companies .
Vancouver	2.5 million	Telus Corporation (TSX:T)(NYSE:TU)	4.6% yield. Raised dividend 12 times in past six years.
Calgary	1.4 million	Enbridge Inc. (TSX:ENB)(NYSE:ENB)	\$26 billion capital project backlog will keep the dividend growing.
Edmonton	1.4 million	Stantec Inc. (TSX:STN)(NYSE:STN)	MWH Global infrastructure acquisition expands its geographic reach.
Ottawa	1.3 million	Kinaxis Inc. (TSX:KXS)	Zero debt . In the cloud. Profitable growth.
Quebec City	806, 000	Industrial Alliance Insur. & Fin. Ser. (TSX:IAG)	Good mid-cap . Canada's fourth-largest life and health insurer. Growing dividend.
Winnipeg	793, 000	Winpak Ltd. (TSX:WPK)	Trump victory. Lower loonie. Higher profits .
Hamilton	772, 000	Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR)	Now in Oakville, Tim Hortons got its start in Hamilton. Growing free cash flow while reducing debt .
Kitchener-Waterloo	511, 000	Open Text Corp. (TSX:OTC)(NASDAQ:OTEX)	12 out of 14 analysts rate it a buy.

Source: Statistics Canada, 2016

CATEGORY

1. Investing

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1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:BCE (BCE Inc.)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:ENB (Enbridge Inc.)
5. NYSE:QSR (Restaurant Brands International Inc.)
6. NYSE:STN (Stantec Inc.)
7. NYSE:TU (TELUS)
8. TSX:BCE (BCE Inc.)
9. TSX:CM (Canadian Imperial Bank of Commerce)
10. TSX:ENB (Enbridge Inc.)
11. TSX:IAG (iA Financial Corporation Inc.)
12. TSX:OTEX (Open Text Corporation)
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