



20 Stocks to Hold Forever

Description

Are you familiar with Norman Levine?

If you watch *BNN*, the veteran portfolio manager routinely appears on its Market Call segment, discussing his favourite stock picks. If not, you might have read the chapter about Levine in *Market Masters*, Robin Speziale's great book about investing.

There are a lot of great quotes from Speziale's interview with Levine, but the best one, as far as I'm concerned, is this: "For retail investors, I would suggest around 20 stocks. And they should be diversified. Too many people don't diversify."

I believe you can own a portfolio of 20 stocks for the long haul, whereas Levine warns one should never fall in love with their stocks or be afraid to sell because of the capital gains taxes you'll pay.

A former business associate of mine would sell his concentrated portfolio at the beginning of December and then repurchase the same stocks in January once 30 days had passed to avoid the wrath of the CRA. That way, he was paying taxes as he went and not building up a tremendous tax bill.

With many discount brokers charging \$10 per trade, your annual cost to do this is \$400 — a very affordable 0.4% on a \$100,000 portfolio.

Over the years, I've come to the conclusion that average retail investors should invest in companies they understand and/or are very familiar with. I call this approach "everyday investing," and it's especially useful when putting together your own 20-stock portfolio.

In February 2013, I created a 20-stock portfolio called the Leaside Stock Index for the local newspaper where I live in Toronto. It comprised 10 Canadian stocks and 10 U.S. stocks, and each of the companies included in the portfolio had to generate some kind of benefit from the local economy.

Here are the 20 stocks in the Leaside Stock Index:

10 Canadian stocks

Company	Three-Year Return	Company	Three-Year Return
Loblaw Companies Limited (TSX:L)	20.7%	Empire Company Limited (TSX:EMP.A)	-11.9%
Toronto-Dominion Bank (TSX:TD)(NYSE:TD)	13.6%	First Capital Realty Inc. (TSX:FCR)	9.7%
Dollarama Inc. (TSX:DOL)	23.6%	Canadian Tire Corporation Limited (TSX:CTC.A)	13.7%
Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)	8.6%	Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR)	26.6*
RioCan Real Estate Investment Trust (TSX:REI.UN)	7.5%	Alimentation Couche Tard Inc. (TSX:ATD.B)	33.2%

Source: Morningstar.ca * One-year return, QSR three-year return available December 2017

10 U.S. stocks

Company	Three-Year Return	Company	Three-Year Return
Dunkin Brands Group Inc. (NASDAQ:DNKN)	5.7%	Home Depot Inc. (NYSE:HD)	20.3%
Berkshire Hathaway Inc. (NYSE:BRK.A)(NYSE:BRK.B)	11.5%	Lincoln Electric Holdings Inc. (NASDAQ:LECO)	3.8%
Starbucks Corporation (NASDAQ:SBUX)	14.2%	United Parcel Service, Inc. (NYSE:UPS)	5.8%

Re/Max Holdings Inc (NYSE:RMAX)	21.8%	Vitamin Shoppe Inc. (NYSE:VSI)	-22.3%
Best Buy Co Inc. (NYSE:BBY)	5.7%	Whole Foods Market, Inc. (NASDAQ:WFM)	-16.7%

Source: Morningstar.ca

Here are some important notes about the performance of the portfolio.

- The 10 Canadian stocks delivered an annualized total return of 13.8% over the past three years — 580 basis points better than the **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)).
- The 10 U.S. stocks delivered an annualized total return of 7.3% over the past three years — 180 basis points worse than the **SPDR S&P 500 ETF Trust** (NYSEARCA:SPY).
- Overall, including currency, the \$103,000 portfolio in Canadian dollars is worth \$157,424 today — an annualized total return of 15.2%.
- The same \$103,000 portfolio invested 50% in the XIU and 50% in the SPY is worth \$151,133 today — an annualized total return of 13.6% and 160 basis points less than the Leaside Stock Index.
- Five sectors represented in the portfolio: consumer defensive, consumer cyclical, financial services, real estate, and industrials.
- With the exception of Vitamin Shoppe, all of the stocks that had negative three-year returns or single-digit gains have the potential to right that wrong over the next three years.
- Whole Foods replaced PetSmart, which was acquired in March 2015 by a private equity firm for US\$8.2 billion.

Bottom line

Norman Levine is right. All you really need is 20 stocks; almost any stocks will do, as long as they're financially sound. Over the long haul, you'll do better than all right, as the Leaside Stock Index demonstrates.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:SBUX (Starbucks Corporation)
2. NYSE:BBY (Best Buy Co., Inc.)
3. NYSE:BNS (The Bank of Nova Scotia)
4. NYSE:BRK.B (Berkshire Hathaway Inc.)
5. NYSE:BRKA (Berkshire Hathaway Inc.)
6. NYSE:HD (The Home Depot Inc.)
7. NYSE:QSR (Restaurant Brands International Inc.)
8. NYSE:TD (The Toronto-Dominion Bank)

9. NYSE:UPS (United Parcel Service)
10. TSX:BNS (Bank Of Nova Scotia)
11. TSX:CTC.A (Canadian Tire Corporation, Limited)
12. TSX:DOL (Dollarama Inc.)
13. TSX:EMP.A (Empire Company Limited)
14. TSX:FCR.UN (First Capital Real Estate Investment Trust)
15. TSX:L (Loblaw Companies Limited)
16. TSX:QSR (Restaurant Brands International Inc.)
17. TSX:REI.UN (RioCan Real Estate Investment Trust)
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Author

washworth

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