



## 3 Canadian Companies That the King of Low-Priced Stocks Owns

### Description

Fidelity money manager Joel Tillinghast has been managing the **Fidelity Low-Priced Stock Fund** since its inception in December 1989. When the fund got its start, the maximum price he would pay for a stock was \$15; it's now \$35. That tells you a lot about stock valuations and how they've expanded over the past 27 years.

Valuation creep and the massive flow of money into the fund has made it increasingly difficult to deliver market-beating returns (the fund's benchmark is Russell 2000), but Tillinghast and his team of portfolio managers keep trying.

Since the fund's inception, it's delivered an annual total return of 13.7% — 403 basis points better than the Russell 2000. In the past decade, it's had a more checkered track record beating the index in just six out of 10 years and by only 60 basis points annually.

But, hey, that's why they pay Tillinghast the big bucks. Hired personally by legendary investor Peter Lynch, Tillinghast has proven to be an able hire.

Personally, I get investment ideas in all sorts of ways. I came across Tillinghast walking through the underground tunnels in Toronto in 2015; Fidelity was promoting the fund manager in ads, suggesting people, "Invest with Joel." That was all it took, and I've been following him ever since.

The fund itself has 903 holdings, which tells me it's incredibly diversified; its top 10 holdings account for 24% of the portfolio — considerably less than many actively managed mutual funds. He takes a lot of swings, and when you do that there are going to be misses ... lots of them.

Enough about the fund. Here are three Canadian stocks that Tillinghast is comfortable putting in his \$39 billion fund.

### Metro

The fund's fifth-largest holding at 2.2%, **Metro, Inc.** ([TSX:MRU](#)) made Tillinghast's December 2016 quarterly fund commentary to unitholders. Unfortunately, it wasn't in the best possible light.

"A long-held stake in Canadian food retailer Metro also lost ground in this period, pressured by food inflation that had investors buying less and shopping for cheaper items," Tillinghast stated. "Metro remained a sizable holding for the fund."

Metro shareholders can take solace that Tillinghast owns it and not **Empire Company Limited** because the veteran fund manager goes for companies with good management operating in good, understandable businesses with low P/E ratios.

The fact that Metro is still a top 10 holding after its stock hit \$48 last summer means he sees \$40, where it currently trades, as less than its intrinsic value.

### Gildan Activewear

Developed market equities outside the U.S. account for 27.8% of the fund's portfolio. Metro is the biggest, while **Gildan Activewear Inc.** ([TSX:GIL](#))([NYSE:GIL](#)) is the ninth-largest with a 0.57% weighting.

That might not seem like a big deal, but when you consider that there are 396 companies with smaller weightings, it says something about the Montreal-based underwear and t-shirt manufacturer.

Long term, I see Gildan as a winner and [said](#) as much last September. Since then, it's acquired the American Apparel brand name, which it will roll out through its own promotional clothing unit. It's also delivered reasonably strong earnings, justifying its P/E ratio of 17.3 — almost 25% higher than **Hanesbrands**, one of its biggest competitors.

Gildan is well run, and Tillinghast knows this.

### Genworth MI Canada

I thought about passing on the private mortgage insurance provider given all the worries about a residential real estate bubble in Canada's two largest cities, but **Genworth MI Canada Inc.** ([TSX:MIC](#)) is Tillinghast's third-largest Canadian holding at 0.25% weighting for a reason.

While I can't pretend to know much about Genworth's management, I can state with confidence that it operates in a good industry, where it currently only has two competitors, and one them (CMHC) is keen on reducing its exposure to insured mortgages. As for Genworth's P/E ratio of 8.4%, or, inversely, an earnings yield of 11.9%, is very reasonable as is the dividend yield of 4.6%.

There might be questions and concerns in the residential real estate market here in Canada, but that's why the dividend yield is so high. You're getting paid for the additional risk.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. NYSE:UNH (UnitedHealth Group Incorporated)
3. TSX:GIL (Gildan Activewear Inc.)
4. TSX:MRU (Metro Inc.)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Yahoo CA

## **Category**

1. Investing

## **Date**

2025/08/17

## **Date Created**

2017/03/10

## **Author**

washworth

default watermark

default watermark