



Looking Back at My Top Stock for April

Description

When I was asked for my pick of top stock for April, **Empire Company Limited** ([TSX:EMP.A](https://www.scribd.com/document/444444444/TSX:EMP.A)) was atop the list. While the performance of the stock has not been as exciting as other securities, investors who have held and remained patient throughout the month have done very well.

Shares of Empire Company Limited closed March at \$20.32 and had an “plain Jane” April. Shares closed April at \$21.03 and went from cum-dividend on April 10 to ex-dividend on April 11.

Before we go into the details of the company, let's first address the dividend terminology. As investors, we obviously want to purchase shares in a company and receive the dividend. When a stock trades cum-dividend, it signals that an investor acquiring shares will receive the dividend. However, a stock trading ex-dividend translates to a dividend payment which has already passed.

One of the biggest mistakes made by investors is purchasing a security on the day it goes ex-dividend. The investor assumes they will receive the dividend, when in fact this is not the case.

Considering the total return of Empire Company Limited, there are two separate components. The price appreciation totaled 3.49% for the month, which translates to an annual return of 41.9%. The price return is calculated as $(\text{ending price} - \text{beginning price}) / \text{beginning price}$.

Regarding the dividend, the return is a little more difficult to isolate. The dividend paid during the month was \$0.1025 per share, and although we're taking a period of only one month, we should not be multiplying the dividend by 12 to annualize the return. Instead, we have to account for the quarterly dividend payment and divide the payment by three to properly reflect what investors are entitled to for the month. Although the total dividend payment divided by the share price translates to a return of 0.5%, we will only take a portion of that amount.

If we add one-third of the return coming from the dividend in addition to the price return, the total return for the month of April is 3.99%. On an annualized basis, this translates to a return of 47.9%. Clearly, investors holding shares of this grocery store have had an above-average month.

With still more than half the year in front of us, shares of Empire Company Limited have strong

momentum and may continue to trade higher. Investors looking for a defensive company with a large footprint in Alberta may just be in luck. With an ongoing recovery in the oil patch, consumers may be willing to spend more at the grocery store.

Empire operates in a business with tight margins and high economies of scale; shares of Empire Company Limited may still have far to go.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:EMP.A (Empire Company Limited)

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