



This 9-Stock Portfolio Pummels the TSX

Description

Almost one year to the day, I came up with the idea to create a model portfolio that consisted of one stock from each of the 10 Canadian provinces.

At the time, I hadn't thought of it in the context of Canada's 150th birthday, but after all the festivities this summer, it dawned on me that it might be a good time to revisit the portfolio.

It turns out my [coast-to-coast](#) idea is a winner.

Over the past year, the nine-stock portfolio averaged a 14% return — 786 basis points better than the iShares ETF that mimics the TSX.

The coast-to-coast portfolio: one year later

Province	Stock	1-Year Return	Province	Stock	1-Year Return
B.C.	Telus Corporation (TSX:T)(NYSE:TU)	7.60%	Quebec	BCE Inc. (TSX:BCE)(NYSE:BCE)	2.90%
Alberta	Suncor Energy Inc. (TSX:SU)(NYSE:SU)	11.40%	N.B.	Major Drilling Group Int'l Inc. (TSX:MDI)	10.70%

Saskatchewan	Viterra Inc.	N/A	N.S.	Empire Company Limited (TSX:EMP.A)	0.90%
Manitoba	Great-West Lifeco Inc. (TSX:GWO)	16.00%	Newfoundland & Labrador	Fortis Inc. (TSX:FTS)(NYSE:FTS)	11.10%
Ontario	Manulife Financial Corp. (TSX:MFC)(NYSE:MFC)	47.30%	Wildcard	Royal Bank of Canada (TSX:RY)(NYSE:RY)	17.70%
Average					13.96%
iShares S&P TSX Capped Cmpst Indx Fnd (TSX:XIC)					6.10%

Source: Morningstar.ca

Why only nine stocks?

I'm glad I asked.

I picked the original stocks based on revenue. The public company with the largest annual sales went in the portfolio. However, when I wrote the original article last August, I went back five years to 2011's revenue numbers, so it would be a decent backtest.

The important thing is that the coast-to-coast portfolio between 2011 and 2016 delivered an annualized return of 8.5% — 190 basis points better than the TSX.

Now, back to why there are only nine stocks.

After going through every province's top public companies by revenue for 2011, it came to light that there is no candidate in PEI, our smallest province. So, I replaced it with Royal Bank, given Ontario is Canada's largest province and Toronto is Canada's financial capital.

There are still only nine stocks

Well, as it turns out, Viterra, the biggest revenue generator in Saskatchewan in 2011, got bought out in December 2012.

For anyone who's spent a significant amount of time investing, you've likely owned a stock or two that's been acquired. So, I left in.

But now I think I need to take it out and make a couple of other changes to the portfolio.

Viterra is out, but who is in?

Using 2016 revenue figures, the largest public company in the province of Saskatchewan is **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) with \$8.3 billion.

We're back to 10 stocks.

However, if you look closely, you'll notice that the portfolio has two companies from both the insurance and telecommunications industries. That's not ideal.

Of the two insurance companies, I'd rather own Manulife given the [potential spin-off](#) of John Hancock makes it more attractive than Great-West Life.

My substitution isn't the top revenue generator in Manitoba by a public company, but it's right up there, and it's run by a [terrific CEO](#). I'm talking about **New Flyer Industries Inc.** ([TSX:NFI](#)), a Winnipeg company that manufactures and sells buses around the world.

This is a great substitution, in my opinion.

As for the telecom companies, I don't have a favourite between Telus and BCE. So, given there are probably more public companies in Ontario than B.C., I'm going to pull BCE and replace it with **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)), one of the 10 largest public companies anywhere in Canada and probably my [favourite](#) large-cap Canadian stock.

Bottom line

I'm confident with the changes to the coast-to-coast portfolio that there will be more good news to announce this time next year.

In the meantime, enjoy what's left of Canada's 150th celebrations.

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1. NYSE:BCE (BCE Inc.)

2. NYSE:BN (Brookfield Corporation)
3. NYSE:FTS (Fortis Inc.)
4. NYSE:MFC (Manulife Financial Corporation)
5. NYSE:RY (Royal Bank of Canada)
6. NYSE:SU (Suncor Energy Inc.)
7. NYSE:TU (TELUS)
8. TSX:BCE (BCE Inc.)
9. TSX:BN (Brookfield)
10. TSX:EMP.A (Empire Company Limited)
11. TSX:FTS (Fortis Inc.)
12. TSX:GWO (Great-West Lifeco Inc.)
13. TSX:MFC (Manulife Financial Corporation)
14. TSX:NFI (NFI Group)
15. TSX:RY (Royal Bank of Canada)
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