



3 Family-Controlled Stocks to Buy Now

Description

Family-controlled companies have been in the news a lot lately, but none more so than **Bombardier, Inc.** ([TSX:BBD.B](#)), whose founding families own just [13%](#) of the equity but control the company, holding 54% of the votes.

Don't be deterred by the bad example set by the Beaudoin and Bombardier families. The evidence suggests that TSX-listed companies with at least 25% family ownership outperform their more broadly held peers. **National Bank of Canada** went as far as to put together an index of 30 family-controlled companies. Between August 2005 and August 2015, the index gained 11.3% on an annualized basis — 570 basis points better than the TSX Composite.

Family-controlled companies do well because they're able to view the business over the long term; hired guns don't have that luxury — the business performs, or they're gone.

"The CEOs of your typical non-family-owned public companies don't spend a lot of time at the helm — the average tenure is less than 10 years — and they're under more pressure than ever to maximize short-term results," wrote Duncan Hood October 27 in the *Globe and Mail*. "The leaders of family-run companies, on the other hand, are focused on where their businesses will be a generation from now."

Who are some of these wonderful companies? The National Bank of Canada Family Index has 43 constituents — all with a float of \$1 billion or higher.

Here are my three picks for best family-controlled stocks to buy now.

First Service/Colliers International

A little over two years ago, Jay Hennick, founder and CEO of **FirstService Corp.** ([TSX:FSV](#))([NASDAQ:FSV](#)), spun off **Colliers International Group Inc.** ([TSX:CIGI](#))([NASDAQ:CIGI](#)), the company's commercial real estate advisory, into its own separately traded company.

Like all separations, Hennick saw this as an opportunity for both service businesses to flourish as independently run companies. Hennick would run Colliers, while FirstService COO Scott Patterson

would become the company's CEO.

Ever since the split, both stocks have been on fire.

In June 2016, I [recommended](#) investors consider FirstService's stock; in May of this year, I went with Colliers only because its [valuation](#) was slightly more reasonable. The reality is, both are marvelous businesses.

Jay Hennick owns 9.3% and 10% of Colliers and FirstService's stock, respectively; he holds 45% and 47.1% of Colliers and FirstService's votes, respectively.

This is a classic example of why dual-class share structures aren't the enemy.

Fairfax Financial

I'm a big fan of Prem Watsa, CEO and founder of **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)). Although his core business is insurance, much like Warren Buffett, he's also expanded into retail and hospitality, continuing to grow the non-insurance part of Fairfax's business. If you've been to the new Sporting Life in Yorkdale Mall in Toronto, you know what I'm talking about.

I'm not going to say much about Fairfax, because most serious investors probably already know a fair bit about the company. However, Fool contributor Joey Frenette [outlined](#) the reasons why Fairfax is now a triple threat, offering additional exposure outside North America in Africa and India with other regions likely to come.

Watsa owns approximately 8% of the stock while controlling 43% of the votes.

Linamar

Back in May 2016, I [recommended](#) **Linamar Corporation** ([TSX:LNR](#)), the Guelph-based auto parts manufacturer controlled by the Hasenfratz family. Founded by Frank Hasenfratz in 1966, Linda Hasenfratz (daughter) has been CEO since August 2002.

Since taking the helm, she's done a masterful job growing the company, and despite the NAFTA concerns weighing on the automotive sector, whatever happens, Linamar has got an excellent chief executive to lead it through any uncertainty that might come about as a result.

Linamar's stock's up 52% in the 17 months since I recommended it. As long as Linda Hasenfratz is at the helm, I expect it to continue moving higher over the next 17 months.

Frank Hasenfratz and daughter Linda own 23.4% of the single class of voting common stock.

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4. TSX:FSV (FirstService Corporation)
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