



Beat the Market Over the Long Haul With This Top Bank Stock

Description

Many professional money managers fail to beat the market over the long term, because they're too focused on short-term results to win over prospective clientele who are all about short-term results. It's the nature of the industry, since most folks only care about the near term, and they can very easily switch to the other fund down the street just because of better returns for a given month. Although such professional actively managed funds are marketed as "long term," they're actually geared towards near-term performance, and a lot of the time, such managers end up chasing returns, so they can get a fatter bonus at the end of the year.

Long-term investing isn't about chasing month-to-month or even year-to-year returns; it's about obtaining the largest total return over the next five or even 10 years. So, if you're chasing results over the short term, you'd better be an experienced trader; otherwise, you're just making your brokerage rich from all the unnecessary trading activity that you'll end up doing with the hopes of whacking the market over the near term. Ironically, it's these folks, like many professional money managers, who'll end up underperforming the indices that they were so keen on beating over the course of many years.

As an individual investor, you don't have to worry about someone breathing down your neck to put up consistent market-beating results from quarter to quarter or even month to month. You can focus on the bigger picture, and with patience, you could very easily crush the markets over the long term by just owning shares of wonderful businesses and not jumping in and out of what's deemed as the "sexiest" play at a given point in time.

Consider the Big Five Canadian banks, they've outperformed the TSX over the long haul, and you hold them at the core of your portfolio without giving them too much thought; they'll likely steer your portfolio in the direction of outperformance.

You really can't go wrong with any Big Five bank, but my favourite for 2018 and beyond has to be **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), mainly because of valuation reasons and the fact that it's the bank that's likely going to experience the largest improvement over the next decade.

CIBC is the Big Five bank that has a huge stigma, because it's historically been the least geographically diversified of the Big Five banks. And let's not forget that it's the most vulnerable to a Canadian housing meltdown, which is often the first thing that comes to mind with CIBC.

Sure, CIBC isn't the best bet for those who are forecasting a [Canadian housing meltdown](#), but let's be realistic; the actual probability of such a collapse is quite low, and even if it did happen, fears over such a collapse are already baked in to the share price at current levels.

On the flip side, I believe CIBC's recent U.S. foundation layout hasn't yet been fully accounted for in the current share price. Over the next decade, it's starting to look like CIBC will become more like its peers and less like that riskier, inferior Big Five bank that investors have avoided due to severely overblown fears.

Given today's valuations, I believe CIBC has the most room to run of its peers, because management is likely to make up for lost time, as it beefs up CIBC Bank USA (formerly known as PrivateBancorp).

The stock currently trades at a 10.85 price-to-earnings multiple, a 1.8 price-to-book multiple, and a 3.1 price-to-sales multiple, all of which are in line with the company's five-year historical average multiples of 10.8, two, and 2.8, respectively.

On a price-to-book basis, the stock is trading at a discount, even when you consider the fact that the CIBC in five years from now will likely be a [much more robust bank](#) whose valuation will be more in line with that of its Big Five peers.

Over the next few years, I suspect CIBC's discount relative to its peers will gradually shrink, and that means major rewards for the investors who have the time and patience to let this story play out in the long term. In the meantime, there's a juicy 4.25% dividend yield to collect.

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