How to Simplify Your Stock Portfolio Management

Description

When it comes to stock investing, many people find it to be a complex task. It's as much an art as a science. Not only do you need to identify great businesses, but you also need to buy them at good valuations to get above-average returns.

You can greatly simplify your stock portfolio management by focusing on one thing — buying quality dividend-growth stocks at good valuations.

You don't have to sell stocks?

Where's the part about selling? You don't need to. If you don't sell, you'll simplify your stock portfolio management immensely. Some investors buy stocks and aim to book quick profits. However, the strongest returns come from holding winning stocks for a long time.

Take **Amazon** as an example. In less than 10 years' time, the stock appreciated 2,000%, which equates to an annualized rate of return of 32%! Compare that to the average long-term U.S. market rate of return of 10%. A $10,000 investment from 10 years ago in Amazon has transformed into more than $210,000.

While you can't benefit from growth stocks like Amazon without selling shares, you can from dividend stocks like **Restaurant Brands International** (TSX:QSR)(NYSE:QSR).

Image source: Getty Images

Buy quality dividend growth stocks

Identify businesses that have staying power. Buy the ones that offer dividend growth at good valuations and essentially hold the stocks forever.

Restaurant Brands was a decent buy at about the low $70-per-share range last year, when it traded at a price-to-earnings ratio of about 20.5, as the stock is estimated to grow its earnings per share by about 11.9% per year on average over the next three to five years.

Moreover, Restaurant Brands' cash flow generation is expected to be very stable because it generates royalties from three popular brands (Burger King, Tim Hortons, and Popeyes Louisiana Kitchen) that are under its umbrella.

Across the brands, Restaurant Brands has more than 25,200 restaurants in more than 100 countries and U.S. territories. Together, they have more than US$30 billion in system-wide sales.

The quick-service restaurants offer value for your buck, and it's easy to spend money for a morning coffee or a quick bite of a burger and fries. Last year, there were comparable sales growth across all the brands: Burger King was 2%, Tim Hortons was 0.6%, and Popeyes was 1.6%.

Restaurant Brands is very shareholder friendly. The company's quarterly dividend is 5.5 times greater than it was in 2015 after the most recent dividend hike of 11.1%.

The new quarterly dividend of US$0.50 per share will be payable on April 3 to shareholders of record at the close of business on March 15. The stock is estimated to pay out about 66% of free cash flow as dividends this year, which leaves plenty of cash flow to improve the balance sheet or grow the business.

Investor takeaway

Greatly simplify your stock portfolio management by focusing on buying quality stocks when they're cheaply valued. Ideally, buy dividend growth stocks so that you can get periodic returns from dividends without having to figure out when to sell to make a return.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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2. TSX:QSR (Restaurant Brands International Inc.)

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