Should Canadian Investors Hold These 5 Stocks for 5 Years?

Description

High returns are the Holy Grail for capital gains investors and dividend portfolio owners alike. The following stocks have decent long-range predictions, and display a spread of stats that should satisfy even the most stringent of investors looking for high-performance stocks on the TSX index to buy and hold for the mid- to long-term. From capital goods to software, let's see what's in today's mystery portfolio.

Which stocks are in the selection?

Adding a solid Canadian energy stock like **Enbridge** (TSX:ENB)(NYSE:ENB) to a portfolio adds both growth (see a projected five-year return of 20.17%) and defensiveness, while with an expected total return over half a decade of 300.28%, **Savaria** (TSX:SIS) is the hidden gem your high-growth portfolio needs, especially if it's a little light on healthcare stocks.

One of the TSX index's top tech stocks, **OpenText** (TSX:OTEX)(NYSE:OTEX) is looking at total expected five-year returns of 96.22%. Its 30.3% expected annual growth in earnings for the next one to three years gives passive incomes investors interested in a dividend yield of 1.62% further reason to buy.

Valuation is a little high, as might be expected for a tech stock, with a P/E of 38.4 times earnings and P/B of 2.6 times book, while red flags are waving in its level of debt compared to net worth (which has risen in the last five years from 39.4% to 69.1%), and the fact that insiders have only sold shares in the last three months with some pretty solid inside selling over the past year as a whole.

Investing in **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) could increase an input by 32.76% over five years, and while that isn't the kind of percentage that would have a high-growth investor salivating, it's a defensive play that would add backbone to a portfolio.

With five-year returns of 24.15%, **Lundin Mining** (TSX:LUN) may not have the kind of swing that other miners do, but its size, position in the market, and payment of dividends make it a strong defensive addition to a long-range portfolio.

What would these five stocks make after five years?

Holding all five stocks as a group would lead, over five years, to a capital gain of 39.9%, a dividend income of 17.4%, and a total return of 57.2%. While higher returns can certainly be had on the TSX index, the five stocks chosen could add pre-diversified defensives to a portfolio along with positive gains and a decent all-round dividend yield.

With a beta of 1.14 relative to the market, a five-stock pick like the one above would even out the volatility of such stocks as Lundin Mining, with its own beta of 2.12; in short, such a selection would follow the TSX index fairly closely. It's evenly diversified across five different industries, with no single industry making up more than 20% of the whole.

The bottom line

As a group, this selection of stocks isn't bad value, with an overall P/E of 25.2 times earnings and a P/B ratio of 1.9. Its growth in earnings is 25.7%, which for five stocks pulled from different industries isn't bad. Its overall health isn't spectacular, at 51.94%, but it's next to impossible to tick all the boxes with a diversified portfolio and that figure is arguably only 11.94% into the over 40% danger zone.

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TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:ENB (Enbridge Inc.)
6. TSX:LUN (Lundin Mining Corporation)
7. TSX:OTEX (Open Text Corporation)
8. TSX:SIS (Savaria Corporation)

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