Investor Alert: This Trend Could Be Costly for Under-Diversified Portfolios

Description

Canadians are spending significantly less, putting pressure on Canadian investors to adjust portfolios accordingly.

Now is as good a time as any for a portfolio review, and making adjustments to account for trends which may have a medium to long-term impact is prudent at any time of the year.

I prefer diving deep into my portfolio near year-end, when most stocks that have been beaten up go further on sale due to tax selling, leaving "juicier" opportunities on the table for investors willing to double down on long-term bets. It is also a time to ensure that your portfolio is appropriately weighted, with the appropriate risk profile.

Last year, growth in retail sales in Canada slowed to nearly one-third its 2017 rate, due to a myriad of issues, mainly stemming from increasing levels of consumer debt.

With debt loads continuing to hover around all-time highs and no real catalyst for us to see a significant drop in the near-term (other than a potential recession everyone is hoping won't pan out), I believe one significant trend in the near- to medium term will be a move away from growth stories to value plays.

For companies like toy maker **Spin Master Corp.** (TSX:TOY), a 40% decline in the company's share price since mid-2018 indicates that the mood among investors has shifted. Risk aversion is in, and aggressive growth investing is out, leaving many investors who were not concerned about valuation multiples holding the bag.

I still like the growth story that is Spin Master; however, as with many other consumer goods-based businesses, I do believe that now is not the time to throw caution to the wind and hope for the best.

Whatever storm may or may not materialize, the reality is that it's about to get windier out there for growth investors who have not trimmed positions in such companies, as valuation levels that once seemed reasonable will soon become headwinds for companies that are not able to show sequential growth each and every quarter.

Bottom line

Rather than putting all your eggs in a few high-growth baskets, I would advise investors to go through a process of deleveraging and reducing risk at every possible avenue at this point in time.

Being overly defensive can be costly in the midst of bull markets; however, the data appears to be pointing toward near to medium turmoil. I'd suggest weighting heavy on value sectors, with a particular focus on defensive stocks (avoid cyclical "story" stocks that do well only in good times).

Stay Foolish, my friends.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:TOY (Spin Master)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/07/31
Date Created
2019/11/01
Author
chrismacdonald