This Is the Most Widely Held Canadian Stock by Top Hedge Funds

Description

Retail investors put a lot of weight behind what the top hedge funds are holding. They are after all, experts and have consistent and proven track records. It was therefore interesting to see the latest report from City Equity Analysts Tobias Levovich. Tobias analyzed the top 10 holdings of the top 50 mutual funds as of the end of the third quarter of fiscal 2019.

To make the cut, companies had to be held by at least three of the top 50 funds. As you might expect, the list is dominated by U.S. companies. **Amazon**, **Microsoft**, and **Facebook** top the list.

It's not surprising, but only one TSX-listed stock made the list. What was surprising was which one did make the list. Healthcare and information technology dominated the list, and combined they accounted for 37.9% of the top 10 holdings. Given this, one might expect to see a tech star such as **Shopify** as the lone Canadian stock to make the list.

There are a couple of financials, none of which are Canada's big banks. So, which stock made the cut? It was none other than **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). Surprisingly, there are quite a few consumer discretionary companies on the list. In 2019, the Consumer Discretionary Index has effectively tracked the market and is up approximately 20%.

For its part, Restaurant Brands has had a nice run. Year to date, the company's stock price is up 25%, which is in line with the 22% it has averaged annually over the past five years. It is worth noting, however, that the company is down 18% from its 52-week high of $105.83 per share.

In fact, recent price weakness led to the company entering oversold territory for the first time since Tim Hortons and Burger King merged back in 2014. The dip came on the heels of third-quarter earnings that largely met expectations. Unfortunately, soft Tim Hortons same-store sales numbers were a drag on an otherwise decent report.

Despite Tim's weakness, analysts seem unwavering in their coverage of the company. All 16 analysts that cover Restaurant Brands rate it either a "buy" or "strong buy." Citing considerable international growth potential and continued expansion south of the border, analysts have a one-year price target of $100.83 per share. This implies 15% upside from today's share price.

As an added bonus, Restaurant Brands is about to become a Canadian Dividend Aristocrat and a U.S. Dividend Challenger. It last raised dividends by 11% this past March, marking the fifth consecutive year of dividend growth. As such, it will now be added to funds that track these indexes and will now be of interest to those implementing a dividend-growth strategy.

Foolish takeaway

Trying to follow in the footsteps of the top mutual funds doesn't guarantee success. What it does do, however, is let retail investors know where some of the top fund managers in the world are parking their money. It's worth noting that Warren Buffett holds approximately 8.4 million shares of the company.

Making this list is no easy feat, and it certainly shows a level of confidence in Restaurant Brands International. The company has always traded at a premium to the industry and still does, but its recent downtrend has provided retail investors with an attractive entry point.

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Date
2025/08/26
Date Created
2019/11/21
Author
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