



This Canadian Dividend Stock Is on Sale for the First Time in 12 Years

Description

Great stocks rarely go on sale. When they do, the bargain prices don't last for long. If you want to profit, be prepared to act.

ONEX Corporation ([TSX:ONEX](#)) is arguably one of the greatest stocks in Canadian history. Since 1995, shares have increased in value by more than 2,300%. **Coca-Cola Co** stock, by comparison, rose by just 230% over the same period.

Note that the numbers above don't even factor in dividends, which ONEX has dutifully paid every quarter for more than 30 years. When it comes to [reliable stocks](#) that can compound your capital for decades, this company leads the pack.

Since mid-2018, however, shares have sputtered, losing 20% of their value. It's rare for ONEX to experience such a sudden slide. Throughout history, any pullback has turned into a clear buying opportunity. The latest dip looks no different. Let's dive into how *you* can profit.

Invest in private equity

Brookfield Asset Management Inc (TSX:BAM.A)([NYSE:BAM](#)) is an incredible stock. The company manages more than \$500 billion on behalf of clients.

It chooses specific themes and sectors in which to invest, betting both investor capital *and* its own internal money and aligning incentives across the board. Since 2013, shares have risen by 230%.

ONEX runs a similar strategy, investing and managing capital alongside its shareholders, institutional investors, and high net worth clients. Since 2013, shares have more than doubled.

ONEX is a bit different than Brookfield in that it focuses on private equity. As the name suggests, these investments aren't available to the general public, which has an impact on valuations. If you have a strong deal pipeline, you can invest in high-quality businesses at bargain prices.

In total, ONEX manages around \$38 billion, of which \$7.2 billion is shareholder capital. This size makes them one of the largest private equity investors in Canada, giving them first-row access to deal flow.

At one-tenth the size of Brookfield, however, ONEX is still nimble enough to invest in high-growth opportunities that are too small for most institutions.

Investing in ONEX stock is one of the only ways that everyday investors can gain exposure to private equity returns.

Capitalize on lumpiness

ONEX's private equity portfolio has generated a gross multiple of capital invested of 2.5 times, resulting in annual returns of 27%. That's an amazing performance. If you invest \$10,000 at a 27% annual rate of return, you'll wind up with \$13 million after 30 years!

Here's the thing: the returns can be lumpy. As with public securities, private equity markets go through boom and bust cycles. Due to market inefficiencies, the volatility can actually be much worse.

From 2002 to 2006, ONEX stock generated a total return of 0%. During the financial crisis, ONEX stock lost nearly two-thirds of its value.

Despite these challenging periods, however, ONEX has proven itself a long-term winner, willing to take on risk at opportune times. In 2009, as global markets were crashing, management positioned the company for a decade-long run that would see the stock double in price *three times*.

The past 24 months have been another dry period, with shares down by 20%. If we've learned anything from history, now is the time to buy.

As a private equity investor, ONEX can benefit from market downturns. Private companies can trade at substantial discounts during a recession. While the rest of ONEX's portfolio will be impacted, bear markets are a great place to be if you're looking to buy. That's exactly what happened in 2009, just as the company began its incredible run of performance.

As coronavirus fears send economic shocks throughout the market, ONEX will be there to buy low and position the company for another decade of success.

CATEGORY

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