This Billionaire Bet It All on 2 Stocks

Description

Ryan Cohen is not as famous as Warren Buffett. The college dropout is 55 summers younger, although he is also a successful billionaire. Cohen co-founded Chewy in 2011 then sold the online pet retailer company to PetSmart for US$3.35 billion in 2018.

Cohen used the proceeds to invest. He did not diversify as much and acted against conventional wisdom. He bought only two stocks, **Apple** and **Wells Fargo**.

To each his own

Cohen's approach is different from Buffett's. He doesn't like hedge funds, private equity, real estate, and bonds. Putting it all-in on the top tech company and the 13th largest bank in the world would be enough.

The strategy is hazardous because there is no proper capital allocation. Investing, however, depends on your risk appetite. Cohen is sticking to his choices and taking on the risks.

A highly-concentrated approach is not advisable. If I were to follow Cohen, I would choose a pair of consumer defensive stocks, namely **Empire** (TSX:EMP.A) and **Metro** (TSX:MRU). Both are dividend all-stars, too, with identical dividend growth streaks of 25 years.

Resilient Empire

Nova Scotia-based Empire is one of the top grocers in Canada. This $8.82 billion company operates its core food retailing business through wholly-owned subsidiary Sobeys. Its other interests are in the real estate sector.

Empire's annualized sales are approximately $25.8 billion, while its assets are worth about $14.0 billion. The current dividend yield is a modest 1.47%, yet the stock remains popular with income investors. You have a business that will endure in times of crisis and survive during economic downturns.

As of this writing, Empire is trading at $32.76 per share, with a year-to-date gain of 8.4%. The stock's total return over the last 20 years is 675.06%. Analysts covering the stock are offering a buy rating. They are forecasting the price to climb by 22% to $40 in the next 12 months.

Empire continues to break ground through expansion. Six more FreshCo discount stores will open in Alberta soon.

Growth in the Metro

Metro is a resounding buy. If you own shares today, hold them. The stock is gaining by 6.73% thus far, although analysts are bullish and estimating a price appreciation of 19.8% within a year. The current price is $56.75, with a dividend offer of 1.56%. Over the past two decades, the total return was 2,382.55.

This $14.29 billion icon in the food and pharmaceutical sector is showing strength in the wake of the coronavirus outbreak. In the second quarter of 2020, Metro reported a 7.8% sales growth versus the same period last year. According to François Thibault, Metro's CFO, there was a spike in sales in the last two weeks of the quarter.

Expect Metro to maintain a strong financial position in the near term. The company has an available revolving credit facility of $600 million and there are no maturing debts until December 2021. COVID-19 remains a hindrance, but Metro anticipates the organic growth to continue.

Stay safe

Ryan Cohen's strategy is not for risk-averse investors. He's on a roller coaster ride with his two stocks. A recessionary environment will bring discomfort. The best approach is to protect your investments and stay on the safe side.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:MRU (Metro Inc.)

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