3 Thoroughbreds for the Long Run

Description

There is something fascinating about small stocks that, under the right circumstances, explode and offer uncharacteristically high returns. The post-pandemic environment was ideally primed for such growth, and several, usually down-trodden stocks showed three-digit, even four-digit increases.

While this growth can catapult your capital in a matter of months, it cannot be counted on. You can't invest a hefty sum in these stocks and hope for the right circumstances to trigger such growth.

For relatively certain growth and dividend-based return potential, you might consider investing in "thoroughbreds" instead of dark horses — companies with established histories, strong financials, and time-tested potential.

A Canadian fertilizer company

As Canada's largest and one of the world's largest fertilizer companies, **Nutrien** (TSX:NTR)(NYSE:NTR) has an evergreen competitive advantage. The need for new and better agricultural technologies and improved fertilizer to feed the world's growing population is always there, making Nutrien's business model quite long lasting.

The company has been growing quite steadily since the 2020 market crash and has grown about 140% since then, pushing the market capitalization of the company to $55.5 billion. The company also offers dividends, and the current yield is 2.3%. The value is just right as well. It's the kind of company you can hold on to for decades.

A telecom giant

Telus (TSX:T)(NYSE:TU), as one of the three telecom giants in Canada and a strong 5G stock, is another powerful long-term holding you can invest in. The telecom sector is an oligopoly, whichbenefits Telus along with the other larger players in the industry. The competitive advantage it offersendorses its value as a long-term holding.

As for the return perspective, Telus is a decent dividend-growth stock. It's currently offering a dividend yield of 4.3%, which is juicy enough, but since it's also an aristocrat, the company will probably keep on growing its payouts for the foreseeable future. Its capital-appreciation potential, while slow, is sustainable enough to last for decades.

A railway stock

Unlike the Canadian telecom sector, which has three large players competing for the same business pool, the railway industry has two. One of them — **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) — has grown its territory quite substantially by a relatively controversial acquisition. By bringing in another Class I railway into the fold, Canadian Pacific has spread out its range to Mexico.

Even though 2021 was a bit stagnant (if the overall returns are concerned) for the stock, the positive impact of the acquisition helped push the stock up in the last quarter of the year. The long-term growth potential of the stock, indicated by the 10-year CAGR of 22.1%, is quite strong, even though it's trading at nearly nine times the book value.

Foolish takeaway

These three companies are giants in sectors where there is relatively little competition to begin with. And the fact that two of them are also aristocrats with proven dividend and growth histories makes them very easy to spot "good" long-term holdings, even for novice investors. But whether you are just learning how to invest or a seasoned investor, the three deserve a place in your portfolio.

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