Why this money manager is betting on global food and entertainment giants

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Christine Poole of GlobeInvest Capital Management.

While some investors believe a sharp economic downtown is on the horizon, money manager Christine Poole sees some moderating factors that could lessen the pain.

“I’m not in the camp of a ‘hard landing’ at this point, unless we have some black swan event,” says the chief executive officer and managing director of Toronto-based GlobeInvest Capital Management Inc., who oversees about $265-million in assets.

Ms. Poole expects a more muted slowdown given historically low unemployment across North America and the money consumers socked away while stuck at home during the more restrictive years of the COVID-19 pandemic.

“Those savings and a strong employment market have helped to absorb the impact of high inflation,” she says. “Also, inflation appears to have peaked and should continue to trend downward, which will be less of a headwind for households.”

Regardless of economic convictions, Ms. Poole believes investors shouldn’t try to time the market and should focus instead on holding quality stocks for the long term.

"We aim to buy good companies in sectors that we like – at attractive prices – and stay invested through market cycles," she says.

Some of her top holdings include Royal Bank of Canada RY-T +0.39%, Toronto-Dominion Bank TD-T +0.52%, Fortis Inc. FTS-T +0.63%, Visa Inc. V-N +1.13% and Microsoft Corp. MSFT-Q +1.27%.

Her firm's all-equity portfolios were down 3.5 per cent over the past year, as of Jan. 31. The annualized compound return was 7.8 per cent for the five years that ended Jan. 31, and 9.2 per cent during the past decade. The performance is based on total returns and net of fees.

The Globe and Mail spoke with Ms. Poole recently about what she's been buying and selling and a stock she wished she had bought on a dip last year.

Describe your investing style:

We divide equities into two buckets – income and growth. Income stocks are relatively high dividend-paying stocks in more mature industries such as regulated utilities, telecommunications, pipelines and Canadian banks. Growth stocks tend to be in sectors such as technology, health care and maybe some consumer names. They might pay a dividend but these are companies more focused on growing their earnings and reinvesting in their businesses. Even with clients who want all growth, we still advocate having a balance of both of these types of stocks.

What have you been buying or adding to recently?

One stock we've been adding is Mondelez International Inc. MDLZ-Q -0.41%, the global snack food company. It's a stock we've held for many years. We like Mondelez versus other consumer staple names because of the loyalty behind many of its brands such as Cadbury, Oreo and Ritz. The company has also been able to grow volumes and pricing, especially over the past year. We also like its geographic mix – about 35 per cent of its revenue is from emerging markets – which we think will have a higher growth rate over the long term. The company has also been expanding into new categories like pastries and cakes. It also pays a strong dividend yielding around 2.3 per cent.

Another stock we've been adding to, and is also one of our top holdings, is industrial gas company Linde PLC LIN-N +1.69%. It's relatively recession-resilient in part because many of its contracts are based on long-term supply agreements. Linde also supplies resilient end-markets such as health care, electronics, food and beverage and is well positioned in the clean energy transition. The company also has a strong balance sheet and regularly increases its dividend, which currently yields about 1.4 per cent.

One more we've been adding is Walt Disney Co. DIS-N +1.11%, a company we've owned for many years. We like that Bob Iger is back as CEO. Part of his mandate is to right-size the company and make it more cost-focused, including the streaming business, which has been losing money. We also think the reopening of China [from the pandemic closures] will be a boost for the company's international theme parks. The company has a strong group of brands in general that are undervalued. The company is also expected to reinstate its dividend by the end of this year.

What have you been trimming or selling?

We haven't sold any stocks outright in the past six months or so. Our portfolio turnover is quite low. We think the stocks we own still represent good value. That said, one stock we have trimmed is elevator and escalator manufacturer Otis Worldwide Corp. OTIS-N +0.35%, which was spun off from United Technologies Corp. in 2020. The stock has doubled since the spinoff, even throughout all the volatility and uncertainty that we've gone through. The stock went above our target weight, so we trimmed it.

How about a stock you wish you bought or didn't sell?

Nike Inc. NKE-N +0.28% is a stock I wished we had bought when it dropped last year. It's always on our watch list because it's a great company – a global leader in athletic footwear and apparel. It's also viewed as a high-multiple growth stock, so the valuation has always kept us out of it. The stock peaked in late 2021 and then fell in early fall last year due to some inventory challenges. The issues got resolved and the stock recovered more quickly than we expected. It was at around US$85 when we considered buying it and now it's up to around US$119. We waited too long.

What advice do you have for new investors?

If you don't have the time or skills to buy individual stocks, then you should either seek professional advice or consider a low-cost index exchange-traded fund. I know that last part sounds odd coming from an active money manager, but that might be the best option for new investors to begin with. Also, don't react to short-term noise in the market. When something happens, reassess if that event has really changed the fundamentals of a company you own or the reasons you bought it.