Here are 12 stocks money managers think you should own for the long term

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For long-term investors, the focus should be on companies with predictable cash flows that generate strong returns on invested capital and have opportunities to reinvest and earn a high incremental return, says one portfolio manager.

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For some investors, owning stocks is a long-term commitment.

Some hang on to a stock (or fund) longer than they do a car or a job. In some cases, the holding might even outlast their marriage.

Investors can potentially see huge gains when they stick with a security long-term, through market ups and downs. The trick is to choose the right investments and, of course, there are no guarantees.

The Globe and Mail asked a dozen Canadian money managers to list one stock (or fund) they own and recommend investors hold for at least the next 10 years as part of their broader portfolio mix. Here's what they said.

Wes Ashton, co-founder and director of growth strategy at Harbourfront Wealth Management Inc. in Vancouver

The stock: Microsoft Corp. MSFT-Q -0.25%decrease

The investment case: We're in the early stages of the next technology wave as artificial intelligence (AI) and other innovations are expected to impact the broader economy and markets significantly. Microsoft has made promising inroads and investments in AI software. Consumers already use many Microsoft products in their daily lives and incorporating AI into them puts the company in a strong position to be one of the leaders in AI services. The company is also growth-oriented and aims to double its revenue to US$500-billion by 2030. The company has plenty of free cash flow and resources it can deploy to help pursue growth opportunities. It's also focused on shareholder returns through dividends and share buybacks.

The risks: In the near term, the stock is trading close to a record high, and we could see it give up some of its gains from earlier this year. So, finding a reasonable entry point is key. Over the long run, Microsoft should remain profitable with strong earnings and cash flow but could be its own worst enemy if it comes short of its lofty goals.

Anish Chopra, managing director and portfolio manager at Portfolio Management Corp. in Toronto

The stock: Schneider Electric SE

The investment case: Schneider Electric is a France-based company focused on energy management and digitization. It has a portfolio of energy-efficient software, products and services. It's in the sweet spot of global spending efforts to transition away from fossil fuels and manage energy consumption more wisely. Schneider's buildings division products help to reduce the carbon emissions of both commercial and residential buildings. The company's data centre management area provides energy efficiency solutions for data centres. Its Infrastructure division is involved in grid optimization and increasing electrification. It's an industry leader with a dividend yield of 2 per cent.

The risks: A reduced focus on green stimulus and climate-friendly policies.

Jason Del Vicario, portfolio manager with Hillside Wealth Management at iA Private Wealth Inc. in Vancouver

The stock: Constellation Software Inc. CSU-T +0.07%increase

The investment case: For long-term investors, the focus should be on companies with predictable cash flows that generate strong returns on invested capital and have opportunities to reinvest and earn a high incremental return. Those are the marks of a compounding machine. Investors should also look for strong managers who have skin in the game. While Constellation Software shares aren't cheap, we feel the long-term focused investor will still realize strong returns over the next few decades.

The risks: Its ability to generate above-average returns on invested capital. It should also be acknowledged that founder and chief executive officer Mark Leonard is 68, so succession is on the horizon. Still, we believe the company's decentralized model and return-focused culture can endure.

Patti Dolan, senior wealth advisor and portfolio manager at Wellington-Altus Private Wealth Inc. in Calgary

The stock (fund): iShares ESG Aware MSCI USA ETF ESGU-Q +0.18%increase

The investment case: This exchange-traded fund tracks the MSCI USA Index, which is similar to the S&P 500 but holds 626 constituents as opposed to the S&P 500 companies. The ETF is rebalanced regularly to reflect market changes. Diversification is a main benefit of this holding. The ETF is also a great option for investors interested in responsible investing given that it incorporates environmental, social, and governance factors into its investment approach.

The risks: Changes in the overall market can cause the investment to decrease in value. There are also sector risks or the impact of changes in regulations or technology developments. There are also inflation and regulatory risks.

Craig Jerusalim, senior portfolio manager at CIBC Asset Management in Toronto

The stock: Element Fleet Management Corp. EFN-T unchno change

The investment case: Element Fleet is the world's largest publicly traded automotive fleet manager and is positioned well to compound earnings growth at a rate in the mid-teens for the foreseeable future. The company offers a simple yet compelling value proposition of saving customers roughly 20 per cent on the total cost of fleet ownership. Element also has a 98-per-cent client retention rate. We expect Element to grow its dividend consistently and return excess cash flows to shareholders through ongoing buybacks.

The risks: A risk is further supply chain issues within automobile manufacturing that could extend the company's existing backlog. Tighter financial conditions could also limit its ability to syndicate vehicles temporarily. That said, the company's strong balance sheet provides it with the flexibility to navigate through difficult market conditions easily.

Laura Lau, chief investment officer at Brompton Group in Toronto

The stock: Eli Lilly and Co. LLY-N -0.55%decrease

The investment case: Diabetes and obesity are growing problems. Obesity alone could be a US$100-billion market. Eli Lilly currently has drugs to treat both problems, including a promising pipeline that includes an obesity pill versus the current injections. One of the drugs it's developing has the best-in-class weight reduction of approximately 24 per cent after almost a year, which is on par with bariatric surgery.

The risks: The new obesity drugs may have side effects that would prevent patients from continuing treatment. Competition is also a risk. So far, the other strong competitor is Novo Nordisk A/S. We expect other pharmaceutical companies to try developing competing drugs. The valuation is high, factoring in some success in bringing the next generation of obesity drugs to the market.

Murray Leith, director of investment research at Odlum Brown Ltd. in Vancouver

The stock: Rogers Communications Inc. RCI-B-T -0.19%decrease

The investment case: Sentiment toward the company is negative right now due to the recent boardroom drama, a temporary uptick in industry competition, and an increase in debt leverage to facilitate the recent purchase of Shaw Communications Inc. But with a low valuation compared to its peers, we believe the outlook for the stock is excellent. As one of only three companies able to offer ultra-high-speed internet and 5G wireless, Rogers will benefit from society's insatiable appetite for data for years to come. As the more than $1-billion in synergies of the Shaw deal are realized and debt is paid down, we believe the valuation will expand meaningfully. In the interim, investors collect a 3.4 per cent dividend.

The risks: Improved wireless service from Quebecor Inc. or more competitive behaviour from rivals Telus Corp. or BCE Inc. would put pressure on profit margins.

Shane Obata, portfolio manager and executive director of investments at Middlefield Capital Corp. in Toronto

The stock: Google parent company Alphabet Inc. GOOG-Q +0.06%increase

The investment case: The company has evolved from providing search capabilities to owning one of the most lucrative ecosystems on the market. While Google remains dominant in search, the company also runs the Android operating system, Chrome browser, and other billion-plus user applications such as Gmail and YouTube. These platforms create extremely valuable customer data, which can then be used to increase utility for end users. This is especially important as we enter the age of AI. We expect Google's ecosystem will continue to grow while network effects lead to higher recurring revenue per user over the next decade.

The risks: Regulatory changes are always risky for this and other tech stocks. Margin compression is also risky as generative AI is much more expensive than conventional search. As a result, we could see Google's costs increase as this functionality is rolled out over time.

Christine Poole, chief executive officer and managing director of GlobeInvest Capital Management Inc. in Toronto

The stock: Mondelēz International Inc. MDLZ-Q +0.21%increase

The investment case: Mondelez is a global consumer staples company and a leader in the snacking category. It has the No. 1 global share in biscuits, at 17 per cent, and the No. 2 share in chocolate, at 12 per cent. The company is well-positioned to benefit from the growing middle-class population in emerging markets. It continues to innovate and expand into adjacent categories such as cakes, pastries and energy bars. Mondelēz has also increased its dividend consistently over the years.

The risks: A severe recession could impact the stock's valuation. However, consumer staples companies are considered more defensive, given relatively less cyclical demand for their products, resulting in more steady earnings.

Nick Szucs, Canadian equity analyst and portfolio manager at Leith Wheeler Investment Counsel Ltd. in Vancouver

The stock: Brookfield Infrastructure Partners L.P. BIP-UN-T -0.67%decrease

The investment case: Brookfield Infrastructure Partners is one of the world's largest infrastructure owners and operators with a demonstrated ability to identify underperforming/undervalued assets effectively, invest in improving these assets, and sell them for a high return on investment in the future. Sale proceeds from these mature and derisked assets are then used to fund new investments, providing a differentiated capital source. The company can protect margins during high-inflation periods through contractual inflation indexation within its portfolio of assets. Its infrastructure assets are also long duration and can be financed using long-term and fixed-rate capital structures, which insulates the business from near-term interest rate increases. The company also continues to evolve, diversifying its exposure in recent years from old-economy businesses into more modern infrastructure assets.

The risks: Global economic uncertainty, increased competition in the infrastructure asset class and prolonged higher interest rates could affect future potential returns negatively.

Anil Tahiliani, senior portfolio manager at Matco Financial Inc. in Calgary

The stock: Telus Corp. T-T +0.10%increase

The investment case: Telus provides critical technology infrastructure for everyday life. Data download size and speed will increase with the exponential growth of apps and digital services for businesses and consumers. The company has future growth through three additional global verticals – Telus International, which designs, builds and delivers digital experiences for global companies; Telus Health, which is focused on digital health and wellness; and Telus Agriculture & Consumer Goods, which provides technology solutions for agriculture and consumer goods sectors. The company also generates significant free cash flow and has a strong and stable dividend.

The risks: The company's core services such as internet, mobile and cable are highly regulated and face price scrutiny from consumers, politicians and regulatory bodies. Building out Telus Health and Telus Agriculture & Consumer Goods to a critical scale requires capital and integration discipline.

Stan Wong, portfolio manager and senior wealth advisor with The Stan Wong Group at Scotia Wealth Management in Toronto

The stock: LVMH Moet Hennessy Louis Vuitton SE LVMUY -3.75%decrease

Investment case: LVMH stock is an attractive long-term investment due to its strong brand portfolio, including globally recognized luxury brands such as Louis Vuitton, Christian Dior, Givenchy and Bulgari. Luxury goods have demonstrated their resilience during economic downturns, as the demand for these products tends to remain robust. This enduring demand enables companies like LVMH to maintain strong pricing power. LVMH has a track record of delivering solid financial performance, generating strong cash flows and enjoying healthy operating margins. Favourable industry trends, such as increasing disposable incomes in Asia and growing global demand for luxury goods, further support the company's long-term growth potential. LVMH has seen a total return of about 667 per cent over the past decade, as of June 30, versus a total return of 235 per cent for the S&P 500 Index over the same period.

Risks: The main long-term risks of owning LVMH shares are shifts in consumer trends and prolonged economic contractions.

The responses have been edited and condensed.