Why this money manager is buying McDonald’s and selling Nutrien

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Money manager Christine Poole isn’t letting market swings or the pending U.S. presidential election drive her investment decisions. Instead, she focuses on corporate profits, believing they’re the real driver of markets over the long term.

“We tend to stay fairly invested throughout the cycle. We’re not one of those fund managers that will raise cash, for example, depending on what’s happening in the markets,” says Ms. Poole, chief executive officer and managing director of Toronto-based GlobeInvest Capital Management Inc., which oversees about $280-million in assets.

She’s a long-term investor whose team buys companies in two main categories: income stocks that produce steady dividends over time and growth stocks in fast-growing sectors such as technology and health care. Her team has five strategies for investors with a mix of equities and fixed income – the ratio of which depends on their risk tolerance and investing goals.

Her all-equity client portfolios returned 10.9 per cent over the past 12 months and 8 per cent annualized over five years as of June 30. The performance is based on total returns, net of fees.

The Globe asked Ms. Poole recently to list three stocks she's been buying – and one that she sold:

What have you been buying?

McDonald's Corp. MCD-N +0.11%increase is a stock we added for the first time earlier this month. It's been on our radar for a while. We bought it on a pullback at around US$245 a share. The fast-food sector is focused on providing value for consumers hit by rising inflation. Given its scale, we think McDonald's is probably best positioned to do that. It has more than 41,000 restaurants worldwide and a goal to reach 50,000 by the end of 2027.

Also, 95 per cent of its restaurants are franchised, which is a very profitable business model because it means the company receives royalties. McDonald's also owns a lot of the real estate its restaurants sit on, which is very profitable. Rent accounts for about 39 per cent of its revenue. As a result, we think its income stream is very defensive. While we consider McDonald's to be a growth stock, it also has a decent yield of 2.7 per cent and a lot of cash flow, enabling the company to increase its dividend for the past 47 consecutive years.

Pembina Pipeline Corp. PPL-T +0.65%increase is an income stock we've owned for more than a decade and that we continue to buy with new client money. It has an attractive dividend yield of about 5.4 per cent today and has increased its dividend consistently for about 25 years.

It's a North American energy infrastructure company with pipeline systems and midstream oil and gas operations. We think it's well positioned in Western Canada as natural gas production increases, including exporting to Asian markets.

The company expects to grow its cash flow by 4 to 6 per cent annually through 2026 on a self-funded basis, meaning it probably won't have to issue new equity. That means no further dilution for existing shareholders. The cash flow and dividends are quite visible, with more than 70 per cent of cash flows under long-term contracts.

Pembina will also grow organically through new projects, such as the Cedar LNG project that's expected to start in 2028. And it's been making acquisitions to help grow its future cash flow stream. We see it as a well-managed company with a strong record of increasing dividends.

RTX Corp. RTX-N +1.23%increase, formerly Raytheon Technologies Corp., is a company we've owned for about four years when United Technologies merged with Raytheon. We continue to buy it today for new clients. RTX is a leading aerospace and defence company that sells original equipment and aftermarket services, which is a nice, long-term and profitable revenue stream.

On the aerospace side, it's a play on global airline travel. On the defence side, it's a play on increasing geopolitical tensions and the need for missiles and defence systems. The stock pulled back late last summer after the company said it would take a US$3-billion charge to inspect hundreds of GTF engines for a manufacturing flaw related to defective powdered metal in engines made before 2021. The company is on track with its plan, and we think the stock could rise once we get more confirmation of that.

Name one stock that you've recently sold.

Nutrien Ltd. NTR-T +0.68%increase is a stock we have owned since it was created from the 2018 merger of Agrium Inc. and Potash Corp. of Saskatchewan Inc. (We were previous owners of Agrium and Potash Corp). We believed in the industry's growth alongside the rising global population and growth of the middle class.

We still believe that, but the last year or so has highlighted that fertilizer demand is more cyclical and sensitive to agricultural prices, especially corn. Corn prices have been declining since early 2023 due to excess supplies and inventory. Typically, when that happens, farmers decrease fertilizer consumption. Potash prices have been weakening as a result. Potash is a really important driver of Nutrien's profit. Also, BHP Group Inc.'s large Jansen mine is expected to come online in late 2026, adding a lot of supply to the industry, which we expect to be an overhang on the stock.

This interview has been edited and condensed.