

THE MONEYLETTER®

STRATEGIES FOR SUCCESSFUL INVESTING

MARKET WISDOM

Canadian Conglomerates

BUY SOME AVOID OTHERS

Keith Richards

CONGLOMERATES APPEAL TO SOME long-term investors because of their diversified holdings. Some conglomerates have holdings that are so different that they act much like a diversified mutual fund or ETF -- only without the fees, and often WITH a management team holding significant skin in the game.

That doesn't mean that all conglomerates are worthy of being held. A bad management team who overpays for underperforming assets, or who make a series of incorrect calls on

market trends can lead the company astray.

Below, I take note of 5 of the larger conglomerates in Canada. I'll offer a brief bio of their divisions, and (of course!) a technical view of the stock. Given that such stocks should be owned for a long term, I'll only look at patterns on the weekly charts. Near-term timing signals will be of less significance in this summary.

BULLISH: Brookfield Asset Mgmt. (BAM.A-T)

BAM is a stock that we've held for a while in the ValueTrend Equity Platform. The company operates in 8 divisions. Many of these divisions have been split off into separate stocks – and are by themselves fairly diversified. As such, BAM is considered a bit of a hard stock to analyze from a fun-

damental analyst's perspective. Technical Analysis to the rescue!

BAM operates divisions in: Private Equity, Corporate Activities, Infrastructure, Residential Services, Asset Mgmt., Property Mgmt., and Power. Whew! This is the "Everything including the kitchen sink" stock!

The chart shows us a shallow, yet obvious uptrend since 2015. It's coming off of its trendline and breaking through near-term resistance as I write. This inspired me to put it on my BNN Top Picks on the last show.

BULLISH: Fairfax (FFH-T)

We own this stock in the ValueTrend Equity Platform as well. Like BAM, it's a Top Pick for my BNN appearances. FFH Fairfax Financial is diversified in different areas including investment management, insurance and some exposure to India. Prem Watsa tends to act a bit like a hedge fund manager in buying "cheap" assets and waiting it out to realize value. He also hedges things like inflation etc. Because of that, it might be a little non-correlated to the market, should you be concerned of a market correction. The breakout through \$700 targets \$780 for the stock.

NEUTRAL: Onex (ONEX-T)

If you can't remember Onex's stock ticker, there's no hope for you. Another jack-of-all trades, Onex owns companies in Electronics, Healthcare, Building



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Products, Insurance, Packaging, Food, and other small diversifications. Peter Lynch used to say that such massive diversification could sometimes lead to “di-worsification.” Perhaps he was right. This stock was in an uptrend until mid-2017. Then, it took a pretty good hit on the chin, and is now struggling through a basing phase. I wouldn’t buy this stock until it breaks \$96 and stays there a while.

NEUTRAL: Power (POW-T)

While we don’t hold POW in our Equity Platform, we do own one of its divisions, Power Financial (PWF-T) in our more passive, dividend-orientated Income Platform (5% + dividend). The chart illustrates why we don’t think of POW, or PWF for that matter, as growth stocks. The chart is choppy, with no real direction as to future upside. POW holds financial interest in Canada (IGM and GWO) while also holding some European interests in minerals, cement, oil & gas, and alternative energy sectors.

BEARISH: George Weston (WN-T)

WN holds a variety of food services including bakery and grocery, as well as pharmaceutical services, asset management, apparel, financial & insurance, wireless, and property management. This stock peaked in

2007. Since then it has been in a downtrend, as illustrated by the weekly chart’s consistently lower highs and lows. The stock has not begun to base yet. It should be avoided for the time being, unless you are a near-term swing trader. The trend is not your friend here. ▼



KEITH ON BNN

Televisions MarketCall
Monday July 9th at 12:00 noon

Keith appears regularly on BNN MarketCall to answer viewer questions on the technical analysis of stock trends, and to provide unique insights on the factors of technical analysis used in successful investment management.

If you have questions about the technical analysis of stock trends for individual stocks, be sure to phone in with your ques-

tions for Keith during these shows.

Call Toll-Free 1-855-326-6266

Or email your questions ahead of time (specify they are for Keith) to marketcall@bnn.ca

Keith Richards, Portfolio Manager, can be contacted at krichards@valuetrend.ca. He may hold positions in the securities mentioned. Worldsource Securities Inc., sponsoring investment dealer of Keith Richards and member of the Canadian Investor Protection Fund and of the Investment Industry Regulatory Organization of Canada. The information provided is general in nature and does not represent investment advice. It is subject

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