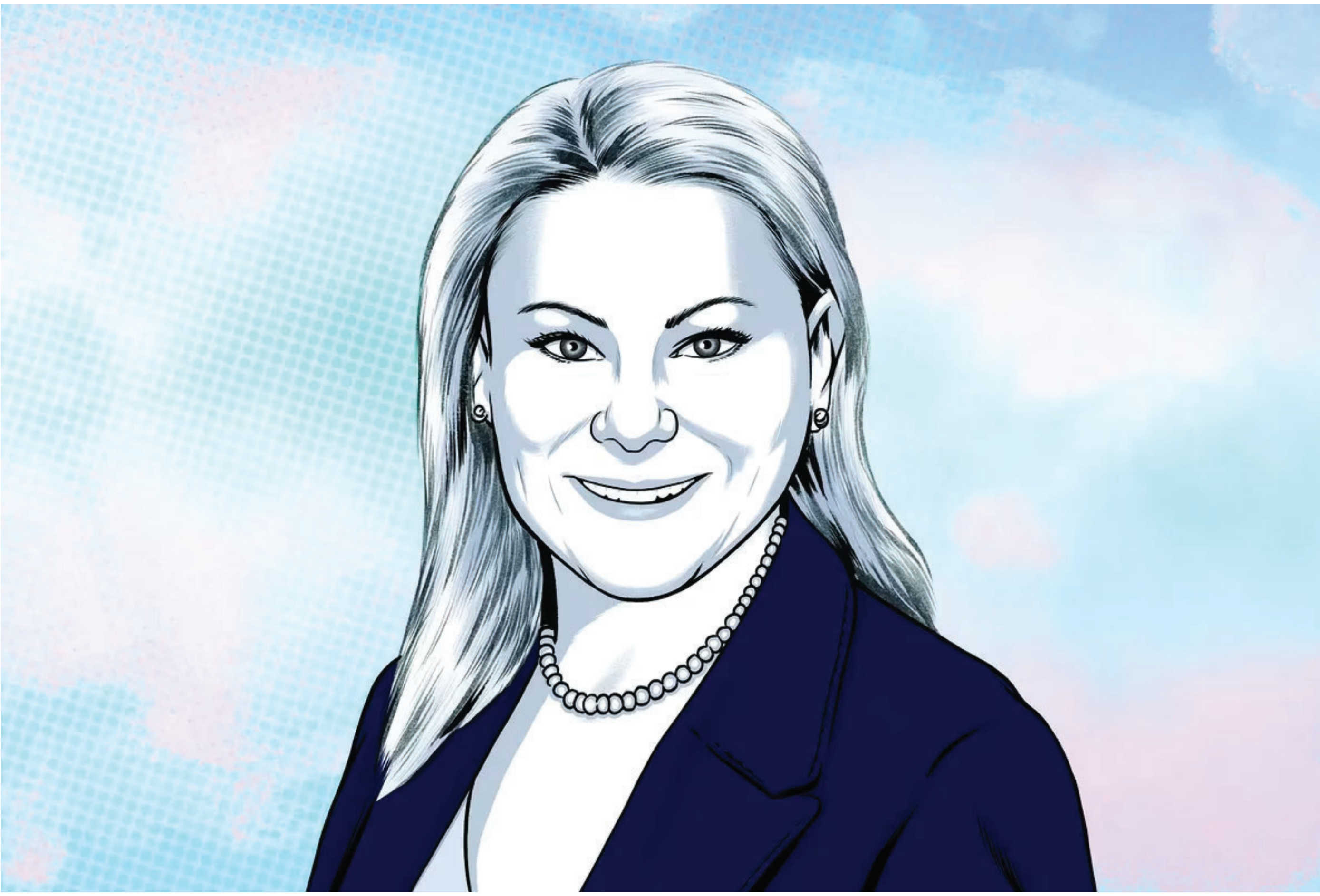
Why this portfolio manager is buying Dollarama but selling a U.S. discount retail chain

BRENDA BOUW GLOBE ADVISOR REPORTER
PUBLISHED APRIL 14, 2023



Lori Pinkowski of Canaccord Genuity Wealth Management.
THE GLOBE AND MAIL

While some money managers choose to be invested fully when markets are volatile, Lori Pinkowski believes in holding more cash to try to protect her portfolios.

"I always say, 'If there's a freight train coming, you have to get out of the way,' " says Ms. Pinkowski, senior portfolio manager and investment adviser with Pinkowski Wealth Management at Canaccord Genuity Wealth Management in Vancouver, whose team oversees about $400-million in assets.

For most of last year’s bear market, her portfolios held about 20 to 30 per cent cash, which also left her well-positioned to buy stocks she wanted on sale.

“The higher cash levels meant we could move quickly into sectors that are expected to outperform in the recovery,” she says.

Today, her portfolios are about 10 per cent cash, roughly 60 to 68 per cent equities – which includes a mix of about 30 to 35 stocks – and the remainder in bonds managed by external providers. The asset mix has led to a return of about 5 per cent so far this year. Her portfolios are down about 5 per cent over the past 12 months. The 10-year return ranges between 6 and 8 per cent annually. The performance is based on total returns as of April 10 and net of fees.

The Globe and Mail spoke with Ms. Pinkowski recently about what she’s been buying and selling – and a sector she regrets selling so soon.

Describe your investment style:

I’ve always believed in managing my portfolios actively to reduce the impact of market volatility. I don’t believe in the ‘buy and hold’ or ‘set and forget’ strategy. When the market changes, you need to be ready to act and change with it.

Our investment style incorporates both fundamental and technical analysis. We understand that no matter how valuable a company is based on fundamentals such as price-to-earnings ratios and debt levels, it could lag due to economic indicators and data. We’ll also be overweight and underweight in certain sectors, depending on what’s happening in global economies, and take advantage of opportunities to buy good companies or sectors on the dips.

What’s your take on the current market environment and your strategy?

Markets are forward-looking and anticipate interest rates to stop rising in the U.S. That’s positive and could lead to a rally. We plan to use the next rally to take some more profits.

We see many leading indicators showing the economy is slowing and have positioned our portfolios defensively in anticipation, owning names specifically in sectors such as utilities, telecommunications, consumer staples and high dividend-paying stocks. That said, we remain diversified between defensive and growth positions at this time.

What have you been buying or adding?

Discount retailer Dollarama Inc. DOL-T (/investing/markets/stocks/DOL-T/) +1.20% ▲ is a stock we've owned for the past year and added to about a month ago. In a high inflation and recessionary environment, consumers are looking for more discounts, and the company is opening 60 to 70 new stores during its 2024 fiscal year. The company recently reported financials that beat expectations with earnings and revenue growth of about 20 per cent from last year, and guidance was strong. We're up 10 per cent on that position since we bought in around this time last year.

Another stock we've been adding to is Campbell Soup Co. CPB-N (/investing/markets/stocks/CPB-N/) -0.98% ▼ . Many of these more conservative companies sold off recently, and we see good value, especially as the company recently reported strong earnings and revenue growth. We're up 9 per cent on this stock since picking it up in mid-February.

What have you been selling or trimming?

One stock we sold recently is Teck Resources Ltd. TECK-B-T (/investing/markets/stocks/TECK-B-T/) +1.77% ▲ after it ran up on news that Glencore PLC had submitted a takeover bid. It would be gambling if we held on and waited for a higher bid. We've owned it since last August and sold it at a 34 per cent profit.

Another stock we sold recently was U.S. discount department store chain Ross Stores Inc. ROST-Q (/investing/markets/stocks/ROST-Q/) +0.39% . It was a good holding for us, but we expect consumers to buy fewer clothes if the economy softens. We bought it at the end of March last year and sold it for a 13 per cent profit.

Name a stock you wish you bought or didn't sell.

A position we sold, which we wish we still held, was iShares S&P/TSX Global Gold Index ETF XGD-T (/investing/markets/stocks/XGD-T/) -1.63% and some large gold-mining stocks. We decided to take some profits in the sector about a month ago after the recent news about the regional banking crisis in the U.S. sent the price of gold and gold-mining stocks higher. We took a 20 per cent profit, but the recession fears have kept gold prices elevated. So, I wish I didn't sell so soon. We have been in and out of gold over the past several years.

What advice do you have for new investors?

It's important that new investors, and investors in general, understand markets may be down for now, but not forever. Use market downturns as an opportunity to pick up stocks at a discount. Most people are longer-term investors, and when you look back in history, most of these declining market periods have been buying opportunities. Also, steer clear of high-risk stocks [and] have a financial plan. Every client we take on board has one. It helps me understand their goals. You can't manage someone's money if you don't know who they are.

This interview has been edited and condensed.

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