THE MOVER

Why this money manager is buying Nestle, Dollarama and selling Couche-Tard

BRENDA BOUW
SPECIAL TO THE GLOBE AND MAIL
PUBLISHED 10 HOURS AGO

Michelle Head Kim, vice-president and portfolio manager at Toronto-based Lorne Steinberg Wealth Management Inc.

THE GLOBE AND MAIL

April was stressful for investors as U.S. President Donald Trump's tariff threats sent markets into a tailspin. However, it was also a time for money managers such as Michelle Head Kim to take comfort in their decision to have a broad range of stocks in their portfolios.

"When it got really bad, we were thankful we were well diversified," says Ms. Head Kim, vice-president and portfolio manager at Toronto-based Lorne Steinberg Wealth Management Inc., which oversees about $1.2-billion in assets.

Ms. Head Kim says many investors were heavily weighted in the technology sector, particularly the "Magnificent Seven" stocks that had outperformed. While she has some exposure to those names, such as Meta Platforms Inc. META-Q (/investing/markets/stocks/META-Q/) -1.44% ▼ , Microsoft Corp. MSFT-Q (/investing/markets/stocks/MSFT-Q/) -0.94% ▼ , Amazon.com Inc. AMZN-Q (/investing/markets/stocks/AMZN-Q/) -0.71% ▼ and Alphabet Inc. GOOG-Q (/investing/markets/stocks/GOOG-Q/) -0.28% ▼ , her team also hung on and added to stocks in other sectors that didn't get as much attention in the early days of the new Trump administration.

When markets became volatile, Ms. Head Kim says, many of the companies in those other sectors "became solid performers."

Her investments include Canadian dividend stocks, U.S. and global equities, as well as high-yield and investment-grade bonds.

"These strategies have historically performed well across various market conditions – including today's volatility," she says.

Steinberg Canadian Dividend Growth fund has returned 17.3 per cent over the past 12 months and has a three-year annualized return of 8.9 per cent and a five-year annualized return of 13.8 per cent.

Steinberg Global Value Equity fund returned 13.2 per cent over the past year and has a three-year annualized return of 11.9 per cent and a five-year annualized return of 9.8 per cent.

The performance is as of May 31 and before fees, which vary depending on a client's assets.

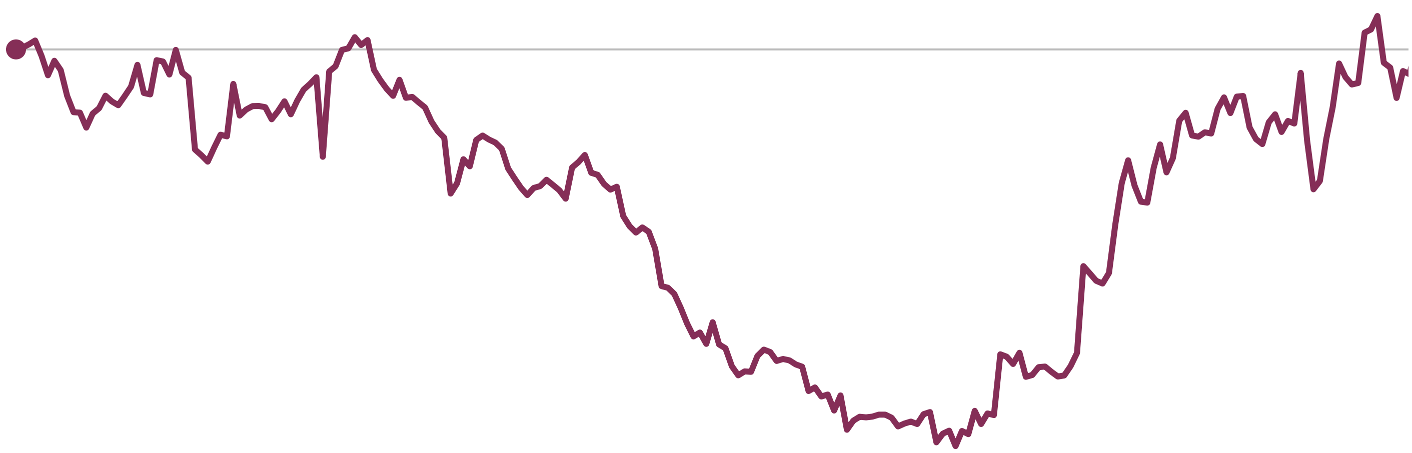
The Globe spoke with Ms. Head Kim recently about what she's been buying and selling.

Name three stocks you own today and why.

Nestlé SA NSRGY (/investing/markets/stocks/NSRGY/) -1.91% ▼ (on the SIX Swiss Exchange), the world's largest food and beverage company, is a stock we bought in late 2024 and added to during the recent market downturn.

NESTLE SA ADR 103.30 -3.33 (-3.12%)

PAST YEAR



JUNE 13, 2024
106.63

JUNE 13, 2025
103.30

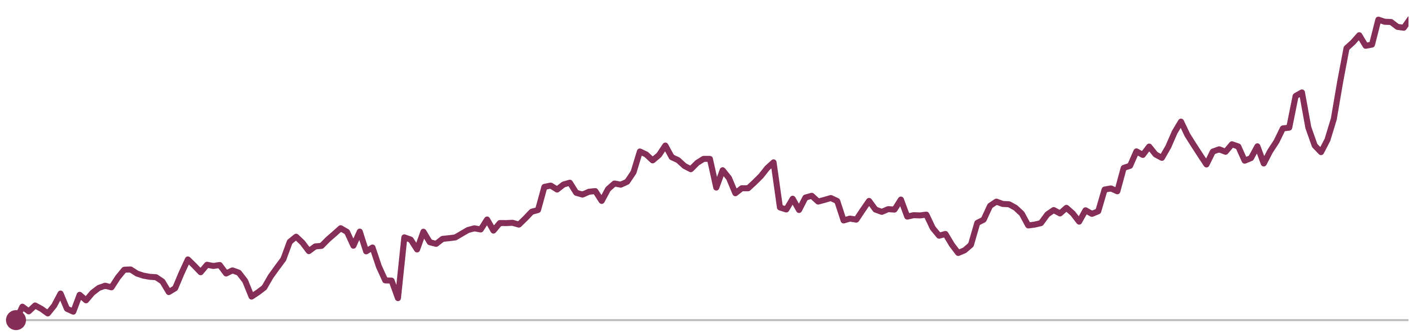
SOURCE: BARCHART

Nestlé has a diverse portfolio that includes various food and drink brands such as Nescafé, Gerber and Carnation, to name just a few. It also owns 20 per cent of L'Oréal SA, the world's largest cosmetics company. Its most important categories are coffee (25 per cent of sales), pet care (20 per cent) and nutrition and dairy (18 per cent). It also has a huge global footprint: 80 per cent of its sales are in categories in which it's No. 1 or 2 in the market.

We like management's disciplined capital allocation, including strategic acquisitions and divestitures of underperforming businesses, which have helped the company grow its operating margins. Despite the slow growth of some legacy product lines, Nestlé's ability to generate robust free cash flow underpins its progressive dividend policy and share buyback program, both of which have been key drivers of shareholder returns.

Dollarama Inc. DOL-T (/investing/markets/stocks/DOL-T/) +0.16% ▲ , the largest dollar-store chain in Canada, is a stock we started buying in early 2020. It dominates the discount retail market in Canada, selling items for $5 or less through a network of more than 1,400 stores. It also owns 60 per cent of Dollarcity, which has more than 600 stores in Latin America.

DOLLARAMA INC 193.71 +72.13 (59.33%)
PAST YEAR



JUNE 13, 2024
121.58

JUNE 13, 2025
193.71

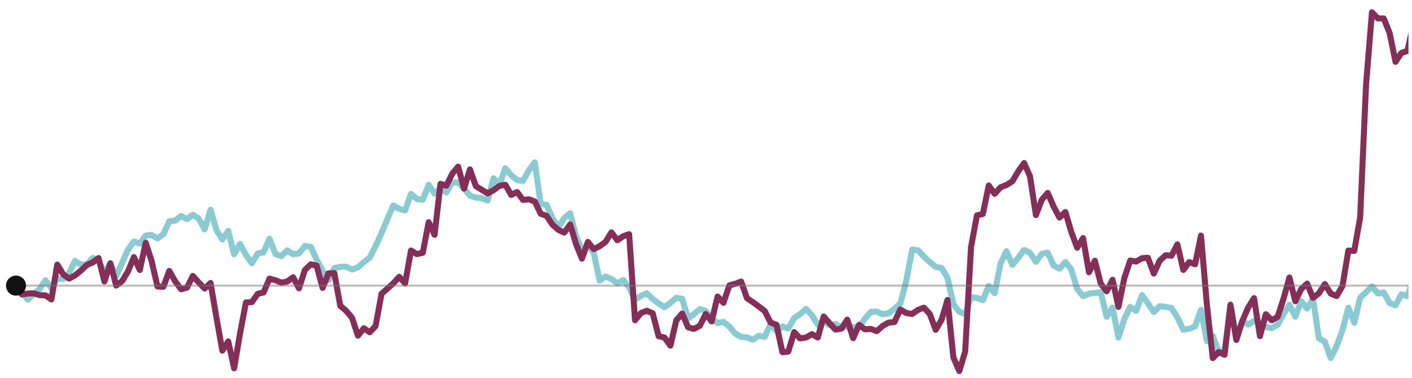
SOURCE: BARCHART

Dollarama has a great track record as both an operator and capital allocator. Its size and scale give it strong buying power and direct sourcing abilities, which help it increase sales, margins and free cash flow. Some investors believe the stock is expensive, but we believe the company has proven its value.

Finning International Inc. FTT-T (/investing/markets/stocks/FTT-T/) +0.02% ▲ and **Toromont Industries Ltd.** TIH-T (/investing/markets/stocks/TIH-T/) -0.36% ▼ are Canada's two dominant Caterpillar equipment dealers, each operating in distinct regions. These are businesses that support the backbone of the economy. We started buying them earlier this year.

FINNING INTL 54.52 +15.07 (38.20%)
TOROMONT IND 121.29 +2.94 (2.48%)

PAST YEAR



SOURCE: BARCHART

Finning is the world's largest Caterpillar dealer serving Western Canada, several South American countries, the United Kingdom and Ireland. It serves mostly extractive industries.

Toromont focuses principally on Eastern Canada, although it has some small operations south of the border. It has more of an infrastructure-focused client base. Toromont is also one of North America's leading providers of industrial and recreational refrigeration systems, with a particularly strong reputation in ice rink construction.

Both companies enjoy the structural advantages of exclusive Caterpillar distribution rights and generate almost half of their revenue from aftermarket services and support. While cyclical end markets such as construction and mining can lead to earnings variability, we believe their strong balance sheets, disciplined capital allocation, high investment returns, and strong free cash flow generation make them compelling long-term investments.

Our decision to own both reflects their complementary geographic exposures and ability to capitalize on infrastructure spending, resource development and the ongoing need for equipment servicing and replacement.

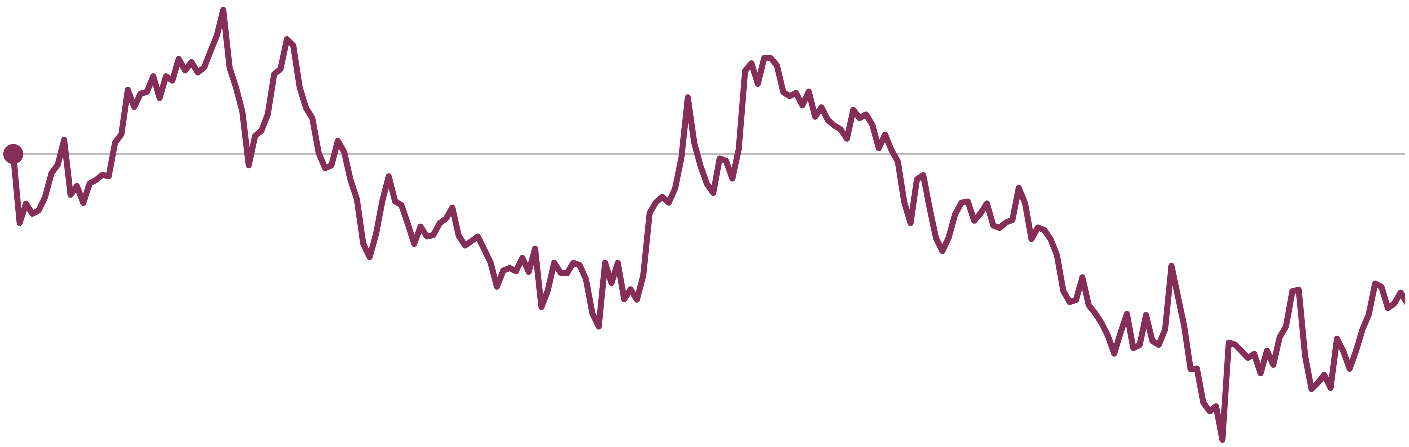
Name a stock you sold recently.

Alimentation Couche-Tard Inc.
ATD-T (/investing/markets/stocks/ATD-T/) -0.66% ▼ , the convenience store

operator, is a stock we sold last fall after holding it for about five years.

ALIMENTATION COUCHE-TARD INC. 73.18 -5.70 (-7.23%)

PAST YEAR



JUNE 13, 2024
78.88

JUNE 13, 2025
73.18

SOURCE: BARCHART

Couche-Tard has an exemplary track record of acquiring small chains of competitors and integrating them into its network, typically with a rebranding under its Circle K banner.

We were concerned with its decision to pursue an acquisition of 7-Eleven owner Seven & i Holdings of Japan. If consummated, this deal would be huge, require significant new portions of debt and equity to be issued, and come with major integration risks.

We bought in the low $40 range and sold it in October 2024 at an average price of $73. It’s hard to sell something when it’s done well for you, but we felt the pursuit of the Seven & i Holdings deal was a major change in the company’s strategy.

This interview has been edited and condensed.

[Report an editorial error]

[Report a technical issue]

[Editorial code of conduct]

Related stories

This $4.6-billion money manager used the April downturn to buy Canadian dividend stocks on sale

This money manager used the April downturn to buy defensive stocks

Why this $1-billion money manager's faith in Nvidia remains intact