Stocks To Hold For Ten Years

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By Peter Switzer, Switzer Super Report

One of the most frequent questions I receive on radio and in real life is "what stocks/s can I buy for the long-term?" Predictably I often refer novices to look at the big four banks, CSL, and Macquarie whenever the market decides to fall out of love with these great-performers.

Of course, individual stocks always have risks linked to government, competition, technological change, etc. A crazy CEO can also be a risk and that's why I say to many newcomers that a core holding of say iShares Core S&P/ASX 200 ETF (IOZ) or SPDR® S&P®/ASX 200 Fund (STW) is a pretty safe way to dive into the stock market for the long-term.

The chart below [not published as it is too small to read – Ed] shows that $10,000 invested in Australian shares in 1987 grows to $113,405 after 30 years and that's despite market crashes in 1987, 2000-01 and 2007-09. Exchange traded funds, such as IOZ, with its dividends reinvested, should perform like this in the future.

Best of breed

But what about some individual stocks that could be 10 or even 30 year holds?

I asked John Murray of Perennial Value, Charlie Aitken of Aitken Asset Management, Anton Tagliaferro of Investors Mutual, Geoff Wilson from Wilson Asset Management, Mary Manning of Ellerston Capital, Nathan Bell of Naos Asset Management, Rudi Filapek Vandyck of FNArena and our own Paul Rickard, the founding CEO of CommSec and a former Stockbroker of the Year to give us their best stock to hold for at least 10 years.

I believe this is a great way to get a collection of the best of breed companies assessed by people, who live and breathe stocks and the underlying business they represent. And some of the answers even surprised me. I'll start with a few overseas companies that many of us should think about, especially if you have little or no exposure to foreign markets, and then look at some local surprise selections.

Let's start with our star stock picker, Charlie Aitken, whose fund can, and does, invest locally with companies such as Treasury Wine Estates, CSL and Aristocrat, which he has always maintained are local world-class companies. That said, his well-performing fund is top-heavy with overseas stocks, as he has maintained, for at least three years, that we should invest here for income and overseas for growth.

So it's not that surprising that he went abroad when I asked him for his best stock to hold for 10 years. "Tencent (700HK)," he said. "I think it will be the biggest market cap stock in the world in under 10 years' time!"

Sticking with the overseas theme, Nathan Bell of Naos had an interesting stock that many of us wouldn't have thought about.

This is what he told me to share with you: "While most Australian investors are heavily focused on dividends, the best type of business to own over the long term is one that can reinvest all its profits at high rates of return. "Few companies can do this, but cable TV and internet provider Liberty LiLAC is one. Liberty LiLAC is the South American outpost of John Malone's cable TV and internet empire.

"LiLAC occupies the number one or two market position in its markets, such as Chile, where regulation encourages companies to invest in faster internet speeds for the long term.

"Internet usage in countries where LiLAC operates is often at half the levels experienced by developed nations, showing there's a long runway for growth. LiLAC also expects to make acquisitions and increase its market position over time.

"Although the company has a lot of debt, it shouldn't be a problem, given the currency exposures are hedged, maturities are increasing and the business produces plenty of cash. Owning it for 10 years means any volatility caused by short term fears about the debt or regional issues, such as last year's hurricanes in Puerto Rico that impact 5% of the company's revenues, will fade away as the new CEO's acquisition-led strategy steadily increases profits."

Let's get more locally-focused and start off with a surprising one from Roger Montgomery of Montgomery Asset Management. Over the years, Roger and I have done a lot of interviews and I can tell you he has never been a big fan of Telstra and companies that pay too high dividends at the expense of capital growth. He hates lazy companies that don't retain profits to grow their operations, so I was a little surprised at his selection.

"I'd select CBA," he said. "I would have said CSL, but it's too expensive."

WAM's Geoff Wilson was just as brief but in his typical forthright manner opted for a telco in TPG and that was bit of a surprise as well.

"It's run by one of the best managing directors in Australia," he insisted. "Over the next decade, TPG will do to mobiles what it did to the internet."

In the 'keep it brief and to the point', my old mate Anton Tagliaferro of Investors Mutual emailed me his selection, manufacturer of rigid plastic packaging : "Pact Group."

John Murray, one of the country's most respected fund managers, who has a love affair with good dividend-paying stocks says: "EVT — Event Hospitality & Entertainment Limited — has a pristine balance sheet, tourism and leisure theme, consistent profit track record and steadily growing dividends over time."

FN Arena's Rudi Filapek Vandyke is pouring over local companies pretty well 24/7, as his operation surveys brokers and company analysts but he's opted for the bluest of blue chips.

"My stock for the next 10 years is CSL," he said. "This is a grossly underappreciated stock by many an investor in Australia."

Another expert to opt for an overseas company was Mary Manning, who is a portfolio manager with an Asian focus at Ellerston. She is really enthusiastic about China and India.

“A stock I would buy and keep for 10 years is Maruti Suzuki (MSIL IN), the largest car company in India,” she suggested confidently. “The stock was a 10 bagger in the last 10 years, so hopefully the next decade will bring more of the same.”

“Maruti Suzuki has a world class management team and excellent ESG (Environmental, Social and Governance) credentials. Suzuki Motor Corp of Japan holds 56% of the Maruti Suzuki and there is cross fertilization of best practices from the Japanese auto maker.”

“MSIL has pulled back 10% from its December high, so this level provides a good entry point.”

Finally, my colleague at the *Switzer Report*, Paul Rickard, says: “A little reluctantly, I am going to nominate CSL,” he said. “Unquestionably it is Australia’s best stock over the last decade and though history says that companies rarely remain “at the top” for such a long period, I think this will be an exception, even though it is super expensive!

“It has a global leading position in blood plasma products and number two in influenza; a top notch management team and the tailwinds of an ageing population with its demand for health services.”

So there it is! I’ll recap the stocks given the 10-year thumbs up:

1. Tencent
2. Liberty LiLAC
3. CBA
4. TPG
5. Pact Group
6. CSL
7. Event Hospitality & Entertainment
8. Maruti Suzuki

And I reckon this would prove to be a pretty good portfolio to hold for 10 years. Let’s see in 10 years’ time!

Peter Switzer is the founder and publisher of the Switzer Super Report, a newsletter and website that offers advice, information and education to help you [grow your DIY super](#).