



What Does Rob Citrone's \$112 Million Investment Mean for Canadian Natural Resources Limited?

Description

Robert Citrone is one of the best stock pickers in the world.

Citrone founded Discovery Capital Management in 1999. Today, it's one of the largest hedge funds in the world, with over \$12 billion in assets under management.

Since the fund's inception, Citrone has generated double-digit annual returns for his clients. Based on this exceptional track record, he has earned a place among investing legends like George Soros and Warren Buffett.

Because of this, I always pay attention to what stocks Citrone is buying — and right now he's making some interesting energy bets.

In recent quarters, Citrone has been pouring money into the oil patch. SEC filings have revealed that he has accumulated large positions in companies like **EOG Resources Inc**, **Marathon Petroleum Corp**, and **Pioneer Natural Resources**. These large-cap companies are great plays on the revolution taking place in North America's energy industry.

He has also just picked up a new position. According to Discovery's most recent 13-F filing, Citrone has also picked up a \$112 million stake in oil sands giant **Canadian Natural Resources Limited** ([TSX: CNQ](#))([NYSE: CNQ](#)).

It's not hard to see why Canadian Natural Resources is on his radar screen. The company has one of the best growth profiles among large-cap energy producers, several industry tailwinds, and a growing dividend.

At its recent investor day presentation with analysts, management wanted to make one thing abundantly clear: Canadian Natural Resources is going to be generating a tremendous amount of cash in the years to come. The company's assets have long lives and low decline profiles. With the completion of the company's Horizon oil sands facility in 2017, the company's free cash flow is projected to grow to \$5 billion annually — a fivefold increase from today's levels.

In spite of this positive outlook, Canadian Natural Resources still trades at a discount to its peers because of the low price the company receives for its Canadian heavy oil production. This crude blend trades at a discount of \$20 per barrel to the U.S. West Texas Intermediate benchmark. However, that gap could narrow substantially over the next few years due to the potential approval of the Keystone XL pipeline and growing crude-by-rail transit, further boosting cash flows.

Much of that cash is likely to be returned to shareholders in the form of growing dividends. Over the past decade, the company has increased its distribution at a 29% compounded annual clip. Lately, those hikes have been getting even bigger. Over the past nine months the company's payout has increased by 30%, a sign that executives see more good times ahead.

Citrone isn't the only hedge fund manager bullish on Canadian Natural Resources. A number of other notable money managers, including D.E. Shaw, George Soros, and Joe Dimenna also initiated positions in the oil sands behemoth last quarter. In research notes to clients last month, both CIBC World Markets and BMO Capital Markets upped their target prices on the stock.

Why are all of these top investors so bullish on Canadian Natural Resources? It's likely because they all see an epic rally ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

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