Billionaire Ray Dalio Bought $72 Million of This Oil Play

Description

Ray Dalio is one of the best investors in the world.

Dalio founded Bridgewater Associates in 1975. Today, it's one of the largest hedge funds in the world, with $120 billion in assets under management.

Since its inception, Dalio has consistently posted double-digit returns for his clients. These returns put him in the same class as legendary investors like George Soros and Warren Buffett.

Based on his exceptional track record, I always pay close attention to what stocks Dalio is buying. Right now, he's making some interesting bets on the energy industry.

In recent interviews, Dalio has expressed his bullishness on the resource sector. That's probably why he holds large stakes in companies like **Chevron Corporation**, **Barrick Gold Corp.**, and **Silver Wheaton Corp.** With all of the money that global central bankers are printing, the best place to store your wealth is in hard assets.

Dalio has also been quietly accumulating positions in one particular section of the oil patch: Alberta's oil sands.

On August 14, Dalio disclosed that he has increased his positions in a number of Canada's top energy companies, including **Suncor Energy Inc.** (TSX: SU)(NYSE: SU), **Imperial Oil Limited** (TSX: IMO)(NYSEMKT: IMO), **Canadian Natural Resources Limited** (TSX:CNQ)(NYSE: CNQ), and **Cenovus Energy Inc** (TSX: CVE)(NYSE: CVE).

Oil sand producers have been out of favour with investors for years. Thanks to congested pipelines, Alberta bitumen has traded at a large discount to other oil blends. Surging U.S. shale production has also displaced Canadian exports. As a result, Alberta's oil sand producers were trading at their cheapest valuations in over a decade last summer.

However, there are a number of reasons to be optimistic. A ramp-up in crude-by-rail transit is starting to alleviate the supply glut. Over the past year, the discount for Canadian Western Select relative to

West Texas Intermediate has been cut in half to $20 per barrel.

Other initiatives could cut that discount even further. **Enbridge Inc**, Canada's top energy shipper, has been quietly expanding its pipeline system, with plans to almost double its Canadian oil exports to two million barrels per day by mid-2015. Some of the company's major projects include reversing its Line 9 route, twinning the Spearhead and Seaway pipelines, and eliminating bottlenecks to boost capacity in the Chicago area.

TransCanada Corporation (TSX: TRP)(NYSE: TRP) is also expected to file an application with the National Energy Board later this month for its Energy East pipeline. The proposal, which would single-handedly replace its stalled Keystone XL project, would ship 1.1 million barrels per day of Alberta crude to refineries on Canada's east coast.

Based on all of the facts above, the discount for oil sands bitumen is likely to continue falling in the years to come. As any equity analyst could tell you, higher energy prices will provide a big boost to the bottom lines of Alberta producers.

Dalio isn't the only big money manager investing in the oil sands. Last week, SEC filings revealed that Warren Buffett's **Berkshire Hathaway Inc.** also increased the size of its position in Suncor. Hedge fund manager Russell Lucas has also been building stakes in other energy names like Canadian Natural Resources and Cenovus over the past few quarters.

Why are all of these Wall Street titans silently accumulating positions in Canada's oil sands? I'd say it could only mean one thing: they see a giant rally ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CNQ (Canadian Natural Resources Limited)
2. TSX:CVE (Cenovus Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:IMO (Imperial Oil Limited)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:TRP (TC Energy Corporation)

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Author
rbaillieul