



## Top Stock Picks for October

### Description

We asked our best analysts to share their favourite stocks this month.

#### **Karen Thomas: Birchcliff Energy Ltd. ([TSX: BIR](#))**

**Birchcliff Energy Ltd.'s** ([TSX: BIR](#)) stock price has declined over 23% in the last three months, which is where the opportunity lies because this drop is not a reflection of company-specific performance.

The company is on track to achieve a 32% increase in production in 2014 versus 2013, and in the second quarter of 2014 achieved an 11% decrease in operating costs to \$5.25 per boe, and a 17% decrease in total cash costs. With natural gas production accounting for 83% of total production in the second quarter, the company is well positioned to benefit from an increase in natural gas prices.

Furthermore, Birchcliff has a strong drilling inventory, upside in its Montney tight gas assets, and a strong balance sheet, with a debt-to-capital ratio of 35% and a 1.5 times net debt to cash flow ratio.

*Fool contributor Karen Thomas owns shares of Birchcliffe Energy.*

#### **Joseph Solitro: Dollarama Inc. ([TSX: DOL](#))**

**Dollarama Inc.** ([TSX: DOL](#)) is the leading operator of dollar stores in Canada, with 917 locations in all 10 provinces, and it has become one of the most patronized retailers, leading to [incredible growth](#). However, even with earnings and revenues growing at a double-digit pace, its stock has lagged the overall market year-to-date, creating an intriguing growth opportunity.

In addition to the growth Dollarama's stock offers, it pays out a healthy 0.68% dividend, which will provide additional returns to investors, especially if it is reinvested. Also, the company has raised this dividend each of the last three years by an average of more than 20% and I think it is safe to assume that this trend will continue, increasing returns to shareholders.

There are very few stocks that can offer high growth and dividend income. Foolish investors should take note of Dollarama and consider initiating long-term positions today.

*Fool contributor Joseph Solitro has no position in any of the stocks mentioned.*

**Andrew Walker: The Bank of Nova Scotia ([TSX: BNS](#))([NYSE: BNS](#))**

The Canadian banks are core holdings in almost every balanced portfolio. Right now, I think **The Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)) is the best bet for long-term investors.

The company's focus on Latin America is shaping up to be a wise move. Mexico, Colombia, Peru, and Chile have united their stock markets and are eliminating 92% of trade tariffs between the four countries.

The Bank of Nova Scotia has a strong presence in each country and the long-term opportunity to benefit from the free movement of capital, goods and services is substantial.

*Fool contributor Andrew Walker has no position in any stocks mentioned.*

**Matt DiLallo: Goldcorp Inc. (TSX: G)(NYSE: GG)**

Warren Buffett really hates the idea of investing directly in physical gold. He doesn't like that it doesn't produce any wealth-building income. Instead, Buffett prefers to invest in productive assets, which are those that throw off gobs of income that can be reinvested to produce more income.

However, where an investor can invest in gold, yet still remain a bit Buffett-esque is to buy a gold miner. Topping that list is **Goldcorp Inc.** (TSX: G)(NYSE: GG), which is one of the most productive of the bunch. It is one of the lowest cost operators in the industry, enabling it to enjoy strong profitability even amid falling gold prices. This is why it can pay its investors a strong 2.5% dividend that can be reinvested to build wealth making it a golden stock for an income-seeking investor.

*Fool contributor Matt DiLallo does not own shares in any company mentioned.*

**Cameron Conway: CGI Group Inc. ([TSX: GIB.A](#))([NYSE: GIB](#))**

One of the country's forgotten tech giants, is actually the fifth largest independent IT company in the world and has seen great success in recent years. With over \$19 billion in backlogged orders, it is not short on revenue growth, it has even completed projected for several U.S. states along with a deal to assume all IT operations for Toyota Europe.

**CGI Group Inc.** ([TSX: GIB.A](#))([NYSE: GIB](#)) saw its net earnings in the last quarter jump to \$225 million from \$178 million the year before and posted a 4% increase in revenues. While some tech companies have hit a wall as of late CGI has excelled.

*Fool contributor Cameron Conway does not own any shares in the companies mentioned*

**Robert Baillieul: PrairieSky Royalty Ltd. ([TSX: PSK](#))**

It might be the greatest income source ever... oil well royalties. Some landowners even retire on the

money from their oil wells. However, historically, few people could invest in this opportunity unless they happened to own acreage in places like Texas or Alberta... until now.

**PrairieSky Royalty Ltd. (TSX: PSK)** makes you a partner with an established landowner. The firm leases out its land to oil drillers, but you're the one who gets paid. Today, PrairieSky pays an annual dividend of \$1.27 per share, which comes out to a yield of 3.7%.

Better yet, this stock pays royalties monthly, so you don't have to wait to start cashing in. If you become a partner by October 24, you'll be eligible to collect your first cheque in November.

*Fool contributor Robert Baillieul has no positions in any of the stocks mentioned.*

### **Sandra Mergulhão: Tricon Capital Group Inc. (TSX: TCN)**

Not many analysts talk about **Tricon Capital Group Inc. (TSX: TCN)**, a North American residential real estate investment company that has roughly \$1 billion assets under its belt (about 5,000 units of houses).

The company is a great way to access the U.S. housing market without going into U.S. banks. Currently trading around \$7.50 with a dividend yield of 3.14%, the stock is extremely cheap as it trades at about a 20% discount to its net asset Value. The company is about to get into securitization of its lending agreements, which means lending costs are going to drop. Several analysts have started initiating coverage on the stock with an average \$10 target price.

*Fool contributor Sandra Mergulhão does not own shares in any of the companies mentioned.*

### **Nelson Smith: Celestica Inc. (TSX: CLS)(NYSE: CLS)**

It's not very often a tech stock also becomes a value stock, but that's what **Celestica Inc. (TSX: CLS)(NYSE: CLS)** is offering investors.

The company has a great balance sheet, including almost \$3 per share in cash and no debt. It trades at just 1.2x book value, and if you exclude the cash, the business trades at under 10x earnings. Margins have improved since it moved away from its former biggest customer, and it continues to expand into new, higher margin services.

Plus, the company is buying back shares like crazy. Total shares outstanding fell from 214 million at the end of 2010 to just 178 million at the end of the most recent quarter.

*Fool contributor Nelson Smith does not own shares in Celestica.*

### **Matt Smith: Pacific Rubiales Energy Corp. (TSX: PRE)**

It's been a tough year for Colombia's largest independent oil producer **Pacific Rubiales Energy Corp. (TSX: PRE)**, with its share price beaten-down by a market unflinchingly factoring in the worst-case scenario for every piece of bad news.

But its fundamentals remain unchanged. It has a clear plan to replace the oil reserves and production lost if its lease on Colombia's Rubiales field isn't renewed. Oil production recently hit record levels, and

it remains a low cost producer generating a netback of \$62.76 per barrel, well in excess of its North American peers.

It remains attractively priced with it appearing undervalued compared to its peers. Finally, it pays a dividend with a 3.9% yield, which will reward investors as they wait for the market to recognize its value.

*Fool contributor Matt Smith does not own shares in any of the companies mentioned.*

**Leia Klingel: Canadian Natural Resources Limited ([TSX: CNQ](#))([NYSE: CNQ](#))**

**Canadian Natural Resources Limited** ([TSX: CNQ](#))([NYSE: CNQ](#)) is a favourite long-term play of mine, but right now, given the low cost of oil, the company has an unprecedented opportunity to position itself for future gains.

While it may seem counter-intuitive that low oil prices would be good news for an oil producer, in the case of Canadian Natural Resources, the price of oil is low enough to cause a fundamental shift in the oil sector, and this is the company best poised to profit from this coming change. The price of oil is getting low enough that some oil producers are likely struggling, but thanks to its status as a low cost producer, Canadian Natural Resources can survive these tough times and can purchase assets from companies unable to survive, increasing its profitability over the long term.

*Fool contributor Leia Klingel holds no position in any stocks mentioned*

**Jacob Donnelly: BlackBerry Ltd. ([TSX: BB](#))(Nasdaq: BBRY)**

While **BlackBerry Ltd.** ([TSX: BB](#))(Nasdaq: BBRY) continues to get abused in the markets, I believe that this is a stock that has been oversold. CEO John Chen has argued that they only need to sell 10 million devices a year to break even and the Passport sold 200,000 over two days after launch.

Further, mobile security is going to become a hot issue going forward. No one wants their junk being shown to the world and the one company that excels at this is BlackBerry. With the Internet of Things, BlackBerry has a chance to get their QNX operating system on billions of devices.

Because of all of this, BlackBerry is my buy. Get it while the rest of the world behaves irrationally by selling.

*Fool contributor Jacob Donnelly has no positions in any of the companies mentioned.*

## CATEGORY

1. Investing
2. Top TSX Stocks

### Category

1. Investing
2. Top TSX Stocks

### Date

---

2025/09/10  
**Date Created**  
2014/10/01  
**Author**  
motley-fool-staff

default watermark

default watermark