



Capital Group Has Acquired More Potash Corp./Saskatchewan Inc.; Should You?

Description

Capital Group Companies announced yesterday that it had increased its position in **Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT) to 83.1M shares, which makes it the single largest holder of shares by double, with over 10% owned. Whenever a big firm increases its stake, it should make you consider following.

PotashCorp is a large supplier of, you guessed it, potash and a supplier of nitrogen and phosphate. These three ingredients are pivotal for creating high quality fertilizers; therefore, PotashCorp is an integral part of the global agriculture industry.

Unfortunately for the company, it has had some rocky quarters. This most recent quarter, it missed on analyst estimates of \$0.42 by 10%. Further, it's expecting flat revenues for 2015 due to decreased demand in resources.

There are a couple of opinions as to why Capital Group would add more money to this company. The first is because of Jochen Tilk. He became the CEO in April and took over in July. Capital Group has invested in other companies that Tilk has been part of, so there is history there.

Another opinion is because the shares of PotashCorp are currently down from a few years ago. This could be your typical averaging down for the company.

PotashCorp is about to become more investor friendly

Personally, I think Capital Group bought more shares because of what it sees developing in the next few years. Potash Corp. has invested \$8.3 billion to increase its production capacity. This significant capital expenditure resulted in weaker earnings reports, which explains why the stock is down from its all time high.

But the thing is, the investment is nearly past. With a decrease in investment on the horizon, the company is set to dramatically increase its free cash flow. And, with increased cash flow comes the potential for rewards to the investor.

Right now, PotashCorp pays a yield of 4.14%. But here's why I really think that Capital Group decided to buy more shares in the company: more dividends.

There are rumors circulating that PotashCorp could start buying shares back with the hope of boosting the value of shares. Or, the company could look to further increase the dividend, raising it to 4.5% or even higher. Both of these moves would reward investors of the company who have held the stock through thick and thin.

Whenever a big firm doubles down on its investment, I can't help but have my interest piqued. And right now, I think that Capital Group buying more of PotashCorp translates into an attractive buy for you too. In my opinion, Potash Corp. represents an integral part of any strong portfolio.

However, if you don't agree, you're definitely going to want to check out my [top five portfolio building stocks](#).

CATEGORY

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2. Metals and Mining Stocks

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