3 Top Stock Picks From Sprung Investment Management

Description

Founded in 2005, Sprung Investment Management emphasizes picking high-quality stocks, ones that you can feel comfortable holding for a very long time. Unfortunately in Canada, too many companies do not meet this threshold.

But according to President Michael Sprung, you can find such names if you look hard enough. Below are three of his favourites.

1. Manulife

At first glance, **Manulife Financial Corp** (TSX:MFC)(NYSE:MFC) doesn't seem worthy of a spot on this list. After all, the life insurer suffered more than any other Canadian financial institution during the financial crisis. It even had to slash its dividend to stay afloat.

But since then, led by new CEO Donald Guloien, Manulife has done a remarkable job turning itself around. And now it is on very solid footing, with a capital ratio higher than each of its large competitors. Better yet, Manulife has very promising prospects to grow earnings, especially in Asia.

Best of all, the company is not overly expensive, trading at about 1.3 times book value, not bad for a company that can earn at least 11-14% return on equity over the long term. By comparison, the banks trade closer to two times book value.

2. CAE

After **Bombardier Inc.** shares crashed so hard this week, one could be forgiven for avoiding Quebec-based aerospace companies. But **CAE Inc.** (TSX:CAE)(NYSE:CAE), which specializes in flight simulation, is a much better company than Bombardier.

There are a number of things going CAE's way these days. Sales are picking up, both on the commercial and military side. The weak Canadian dollar is boosting the company's profitability. And CAE has a far stronger balance sheet than Bombardier, with only about $1 billion in net debt — notbad for a company with a $4 billion market value.

Longer term, CAE should benefit from some nice trends. Airplane manufacturers **Boeing** and **Airbus** combined for nearly 3,000 new orders last year, demonstrating just how strong the airline industry is. There continues to be a pilot shortage, which makes CAE's training services all the more valuable. And the persistence of so many world conflicts should drive military spending.

At 20 times earnings, CAE is not particularly cheap. But it's a very well-positioned company, one that you can hold for a long time.

3. New Flyer Industries

You may not be as familiar with **New Flyer Industries Inc.** (TSX:NFI), but it is North America's leading manufacturer of transit buses, with market share of about 50%.

Like CAE, New Flyer is benefiting from a lower Canadian dollar, which makes sales in the United States more profitable. The company also benefits from a big parts and service business, which helps stabilize revenue and earnings.

Finally, New Flyer comes with a very nice 4.5% dividend yield, and this payout looks to be rock solid. If you're looking for reliable dividends, and are willing to hold stocks for a long time, this is a company worth considering.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CAE (CAE Inc.)
4. TSX:MFC (Manulife Financial Corporation)
5. TSX:NFI (NFI Group)

Category

1. Investing

Date
2025/08/22
Date Created
2015/01/16
Author
bensinclair