3 Stocks That Royal Bank of Canada Says You Should Own in 2016

Description

Royal Bank of Canada's (TSX:RY)(NYSE:RY) RBC Capital Markets recently unveiled its top stock ideas for 2016. Many of the stocks on its list are American, but three Canadian names in particular stood out. As you'll see below, they have a common theme.

1. Couche-Tard

Alimentation Couche-Tard Inc. (TSX:ATD.B) is the leading convenience store operator in North America, Scandinavia, and the Baltics. The company has grown primarily through acquisitions, having bought 49 different convenience store operators since 2003. It has done a very good job integrating its purchases.

Other factors have worked in Couche-Tard's favour. Lower interest rates have made acquisitions cheaper. Falling oil prices have benefited margins on gasoline sales, and the rising U.S. dollar has boosted net income from the United States. Put it all together, and Couche-Tard shares have increased by nearly 600% over the past five years alone.

Better yet, there's room for more growth. The convenience store business is very fragmented, giving Couche-Tard more room for acquisitions. It's also a very repeatable business by geography. So even at 24 times earnings, it's understandable that RBC sees an opportunity with this company.

2. Brookfield Asset Management

Alternative investment manager **Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM) has a lot in common with Couche-Tard. The company generates tremendous value through acquisitions, and shareholders have been richly rewarded. Also like Couche-Tard, Brookfield operates on a global scale. If that wasn't enough, both companies are relatively immune to economic downturns. Brookfield even thrives during down markets, since they allow the company to acquire assets at bargain prices.

To top it all off, Brookfield has plenty more opportunity for value-creating acquisitions. Cash-strapped governments around the world are looking to sell assets. Emerging markets such as Brazil are struggling, which creates more opportunities. And Europe is still plodding along.

So Brookfield can stick with its long-term strategy. That should generate strong shareholder returns.

3. Intact Financial

Are you sensing a pattern here? We have looked at companies with strong track records, acquisitive histories, economic resilience, and room for more growth. **Intact Financial Corporation** (TSX:IFC) also fits these criteria.

Intact is the leading property and casualty insurer in Canada. This is a very fragmented industry–Intact has only 17% market share, more than double its closest competitor. Thus there's still plenty of opportunity to consolidate the industry.

Intact generates better returns than its competitors mainly due to the company's scale advantages, and this advantage should only grow over time. There may also be growth opportunities in other markets. And when interest rates eventually rise, Intact's profitability will improve further. Like the other two stocks on RBC's list, this is a stock you can hold for a long time.

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