Eric Nuttall's Top 5 Energy Picks

Description

Portfolio manager Eric Nuttall of **Sprott Asset Management** has one of the strongest track records of any energy-focused investor. And now he's very confident we're in for a big rally in oil stocks. He's even predicting a WTI oil price of US$50 per barrel by the end of the year.

So how exactly is he positioning his portfolio? We take a look at his five top holdings in reverse order below.

5. Bonterra

Bonterra Energy Corp. (TSX:BNE) is one of many big dividend payers that have been crushed by high oil prices. The company's $0.30 monthly payout was cut to $0.15 early in 2015, then down to $0.10 more recently. And even this payout requires roughly US$40 WTI.

At the same time, Bonterra's share price has fallen to around $13, down about 80% since August 2014. The dividend now yields 9%. So if there's even a modest recovery, Bonterra should do very well for Mr. Nuttall.

4. Cardinal

Cardinal Energy Ltd. (TSX:CJ) has a lot in common with Bonterra. The company pays a big monthly dividend, but recently had to cut this payout in half due to low oil prices.

Yet there are some things to like about Cardinal. The company has very prolific assets with low decline rates. Cardinal also has a reasonable balance sheet with net debt equal to just 1.4 times cash flow from operations. And, of course, the company has plenty of torque to oil prices.

3. Baytex

By now you should be seeing a very strong theme. **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) isyet another high-yielding energy producer that was forced to cut its dividend. In fact, the company suspended its payout altogether in August.

Unlike Cardinal, Baytex has a very shaky balance sheet with debt of more than two times cash flow from operations. But the company has $850 million of unused credit capacity and no significant debt maturities until 2021. Better yet, Baytex has very prolific assets in Alberta and Texas. The company is well positioned to benefit from a recovering oil price.

2. Northern Blizzard

Continuing the theme of dividend cuts, **Northern Blizzard Resources Inc.** (TSX:NBZ) slashed its monthly payout in half back in August. Yet the stock still yields 15%, indicating that investors can expect another cut.

However, there's reason to believe the dividend can be maintained. Like the other companies on this list, Northern Blizzard has fantastic assets with low decline rates. Its debt is long term and covenant-lite. The company has $475 million of undrawn credit capacity. And according to its corporate presentation, the company only needs US$37 WTI to sustainably pay the dividend.

1. Crescent Point

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is easily the largest and best-known company on this list. Otherwise, it looks just like the other four companies.

It has a big dividend, even after a 57% cut last year. It has fantastic assets with low decline rates. It has an excellent balance sheet. And, of course, the company is very well positioned to benefit from rising oil prices.

Time will tell how well Mr. Nuttall's picks work out. But he has an excellent track record, and all of these stocks are far cheaper than they were when he first bought them. It's certainly not too late to ride his coattails.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:BNE (Bonterra Energy Corp)
3. TSX:BTE (Baytex Energy Corp.)
4. TSX:VRN (Veren Inc.)

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