Will These 3 S&P/TSX 60 Stocks Continue to Deliver in 2016?

Description

It shouldn't come as a surprise to investors that less than one-quarter of the index's constituents are trading in the red over the past year. The index itself lost 13.7% over the same period. With 2016 starting out in miserable fashion, it's going to be hard for any of the 60 to deliver positive returns — especially with the Canadian economy continuing to flounder.

Nonetheless, as is usually the case, some will rise to the occasion. Here are the three I think have the best shot at delivering positive results this year.

The best bet

Over the past decade, convenience store operator **Alimentation Couche-Tard Inc.** (TSX:ATD.B) has delivered positive annual returns in eight of those 10 years. Fool contributor Ryan Vanzo recently highlighted its 544% return over a five-year period. By any calculation, Chairman Alain Bouchard has delivered for shareholders.

Whenever it appears the company's growth is ready to stagnate it pulls off an acquisition that maintains its momentum. The US$3.6 billion acquisition of Statoil in 2012 combined with its US$1.8 billion deal for The Pantry in 2014 demonstrates its ability to buy, integrate and deliver increased free cash flow (FCF). In just eight years it's managed to grow FCF by more than 1,800% employing this M&A strategy.

While Bouchard is no longer CEO — Brian Hannasch has been in the top job since September 2014 — he's very much a part of Alimentation Couche-Tard's business as Executive Chairman and its largest shareholder. That's not going to change anytime soon.

But acquisitions aren't the only trick up its sleeve.

Starting this January the company is rebranding all of its convenience stores under the Circle K brand, affecting almost 8,000 stores in its network. The changeover is expected to take three years to complete, but once done the synergies achieved will more than outweigh any concerns investors might have about customer loyalty to the old brands.

While Alimentation Couche-Tard has gotten off to a rocky start in 2016, I expect it to move back into positive territory in the coming weeks with or without an S&P/TSX 60 recovery.

A good second choice

Grocery stocks are great to own in good times and bad because we all have to eat. There's no getting around that, although it's safe to say food prices in 2016 are going to be a challenge for every grocer in this country.

Within the S&P/TSX 60 you've got essentially two choices — **Metro Inc.** (TSX:MRU) and **Loblaw Companies**

(TSX:L) — from which to pick and both delivered positive returns in 2015.

Of the two I'd go with Metro for four reasons: It's got better margins, less debt, no Joe Fresh (which faces the threat of a $2 billion class action lawsuit as a result of its role in 2013 Bangladesh garment factory collapse), and it still owns 22% of Alimentation Couche-Tard.

The bronze medal goes to…

The best performing financial services stock on the S&P/TSX 60 over the past 52 weeks wasn't even a bank — it was **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF), which has been busy over the past 2-3 years moving its business closer to wealth management and away from insurance where the capital requirements are lower and the margins higher.

In 2015 alone, Sun Life doled out more than $1.5 billion to acquire real estate investment manager Bentall Kennedy, Assurant's employee benefits business, and Prime Advisors, a U.S.-based fixed-income investment manager. Those are all good moves to diversify revenue streams.

Expect CEO Dean Connor to continue down the road in 2016. As financial services investments go, Sun Life has a lot going for it — not the least of which is the fact it's not a bank.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:MRU (Metro Inc.)
3. TSX:SLF (Sun Life Financial Inc.)

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