



## 3 New Stock Ideas From an Award-Winning Fund

### Description

They say imitation is the sincerest form of flattery, and nowhere is that truer than when it comes to stock ideas. Sure, you can beat the bushes for that diamond in the rough that's just waiting to be discovered by investors coast to coast, or you can copy what the best do—sit back and watch your money grow.

The 2016 Lipper Fund Awards were announced November 10, and Mawer Investment Management once again cleaned up in the equity Canadian Equity category with its Mawer Canadian Equity Series A fund, winning for the three-, five-, and 10-year periods.

Well done.

In April 2014, Fool.ca contributor Nelson Smith [picked](#) three stocks from Mawer's fund based on its win in the 2013 Lipper Awards. If you were brave enough to go with Nelson's recommendations, you would have been handsomely rewarded, as the table below demonstrates.

A big round of applause for Nelson is also in order.

### Performance (April 9, 2014 to November 10, 2016)

Company	Cumulative Return
<b>Toronto-Dominion Bank</b> ( <a href="#">TSX:TD</a> )( <a href="#">NYSE:TD</a> )	19.5%
<b>Constellation Software Inc.</b> ( <a href="#">TSX:CSU</a> )	130.1%
<b>Canadian National Railway Company</b> ( <a href="#">TSX:CNR</a> )( <a href="#">NYSE:CNI</a> )	43.4%
<b>Average</b>	<b>64.3%</b>

## iShares S&P/TSX Capped Composite Index

([TSX:XIC](#))

2.9%

Source: Google Finance

While it's going to be nearly impossible to top the performance of Nelson's three picks, I'm willing to give it the old college try. Hopefully, in 30 months, I can look back at this day with happiness, not sadness.

Here are a few ground rules before we begin.

I can't pick any of Nelson's picks, so TD, Constellation, and CNR are out. All three are in the Mawer fund's top 10 holdings (fund manager Jim Hall's best ideas), so my work is cut out for me. I can pick any of the others in the top 25. Finally, I can only pick one stock per sector.

Let the games begin.

### Brookfield Asset Management Inc. (TSX:BAM.A)([NYSE:BAM](#))

*Morningstar* classifies Brookfield as being in the real estate sector, but, really, it plays in a whole bunch of sandboxes and has a reputation for being one of North America's finest allocators of capital.

It announced third-quarter earnings November 11, and they were excellent; revenues were up 24% to US\$6.3 billion with funds from operations of US\$883—76% higher year over year. With US\$19 billion in capital available to be deployed in the future, CEO Bruce Flatt is understandably excited about the future.

South of the border in the U.S., Brookfield has entered a partnership with **Macy's Inc.** to redevelop 50 of the retailer's properties. That's a long-term arrangement that will pay dividends for both companies. Macy's couldn't have picked a better.

I don't think I could pick a better stock.

### Loblaw Companies Limited ([TSX:L](#))

It's been a couple of years since it acquired Shoppers Drug Mart, but that deal secured Galen Weston Jr.'s position as Canada's top grocery store CEO. It was a brilliant move that allowed the two chains to cross-sell—President's Choice in Shoppers and Life brand in Loblaw—has really brought renewed enthusiasm to the Weston empire.

From a valuation perspective, its stock is trading at 8.3 times cash flow, which puts it between **Metro, Inc.** on the high side at 13.3 and **Empire Company Limited**, the parent of Sobeys, on the low side at 5.9. Since the Shoppers acquisition, Loblaw has doubled its free cash flow, making it one of Canada's great cash-generating machines.

I expect more big things from Loblaw in the future.

## Canadian Pacific Railway Limited ([TSX:CP](#))([NYSE:CP](#))

Since I'm unable to pick CN, Mawer's seventh largest holding, I'll go with CP and CEO Hunter Harrison who previously did a great job restoring CN's business. Although he's stepping down from the top job next summer, he's got plenty of time to get his replacement, President Keith Creel, acclimated to the position.

Creel acknowledged in its third-quarter earnings report, which saw CP miss analyst expectations, that growth moving forward wouldn't be nearly as robust. As a result, it expects annual earnings-per-share growth of mid-single digits going forward as opposed to previous double-digit growth.

As one of North America's best rail operators, it plans to keep costs down and service up while it waits for rail volumes to increase. I've got 30 months for that to happen, and, like analysts, I'm confident it will.

Definitely, buy CP stock on weakness below \$180.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:CP (Canadian Pacific Railway)
4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:BN (Brookfield)
6. TSX:CNR (Canadian National Railway Company)
7. TSX:CP (Canadian Pacific Railway)
8. TSX:CSU (Constellation Software Inc.)
9. TSX:L (Loblaw Companies Limited)
10. TSX:TD (The Toronto-Dominion Bank)
11. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

### Category

1. Investing

### Date

2025/08/25

### Date Created

2016/11/12

### Author

washworth

default watermark