



Suncor Energy Inc.: The Foundation for the Ultimate All-Cap Energy Portfolio

Description

Are you familiar with the [Ultimate All-Cap Financial](#) portfolio?

No? Well, that's okay; it's really a mini-portfolio, anyway.

I recently created this theoretical portfolio for Fool.ca readers. Truly all-cap in its composition, the group of four financial stocks all trade on the TSX and make a good building block for any investment portfolio.

Here in Canada, where energy and financial stocks rule, it only makes sense to do the same thing with energy stocks that I did with financials.

Here goes.

Jumbo cap: \$50 billion and higher

Well, it doesn't get much easier than this.

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) is the only large-cap energy stock on the TSX with a market cap higher than \$50 billion, so it makes it into the portfolio by default.

Although Warren Buffett has sold out of his position in Alberta's big developer of the Athabasca tar sands, there's still a lot to like about the company, including its [cost-cutting](#) initiatives over the past three years along with its two acquisitions in 2016 that solidified its position as the dominant producer in the tar sands.

In 2017, it expects to produce as much as 720,000 barrels of oil equivalent per day, putting it in an ideal spot to benefit from higher oil prices.

Large cap: \$10 billion to \$50 billion

Under \$50 billion and above \$10 billion, I've got to go with **Husky Energy Inc.** (TSX:HSE), whose ability to lower costs in the last couple of years means it can now make money off \$35 oil. Imagine

what it could do with prices in triple digits. That won't happen in the next 12 months, but [retiring](#) CEO Asim Ghosh has put the company in a position to win.

Mid cap: \$1 billion to \$10 billion

I've [liked](#) **Inter Pipeline Ltd.** (TSX:IPL) for a few months now primarily for two reasons. First, its dividend is yielding just under 6%, and second, it's got a diversified group of revenue streams that continue to deliver strong results—its EBITDA for the trailing 12 months is just shy of \$1 billion and the highest it's even been.

With its stock up 30% year-to-date I'm not sure it's got much appreciation potential in the remaining month of 2016, but, long term, this is a good dividend-paying energy stock worth owning.

Small cap: \$250 million to \$1 billion

Trican Well Service Ltd. ([TSX:TCW](#)) once generated \$308 million in operating cash from \$2.3 billion in revenue. The year was 2011, and its stock price was trading at \$25—733% higher than today.

The 417% bump has come as a result of improving business conditions in its Canadian operations with expectations of more of the same moving into the first quarter of 2017.

Is that enough to return Trican to profitability? Probably not, but it's a step in the right direction. As one of the biggest operators in the country and having put itself through a painful restructuring which reduced its cost structure, it's in a good position to take market share.

The stock's 2016 gains could be just the start of the former mid-cap energy stock's revival. A year from now, you could be very glad you bought at \$3 and change.

Micro cap: \$50 million to \$250 million

I love it when I stumble across holding companies doing well because the experts will tell you that conglomerates of any size generally are given a big discount by investors. That's not the case for **TerraVest Capital Inc.** ([TSX:TVK](#))—a stock's that's seen seven consecutive years of gains, including 2016, despite the fact that its oil- and gas-related businesses have been hit hard like everyone else.

As a result of the hit taken to profits in the first three quarters of 2016, ended June 30, its dividend payout has ballooned to 87% of cash available for distribution from 33% a year earlier. However, its free cash flow has improved dramatically through the first three quarters of the year as a result of lower working capital requirements due to slower business activity in western Canada. Its yield of almost 5% is therefore secure.

To me, this is the safest way to play micro-cap energy stocks in Canada.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)
3. TSX:TCW (Trican Well Service Ltd.)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/08/25

Date Created

2016/11/30

Author

washworth

default watermark

default watermark