



## Top Stocks for August

### Description

We asked our writers to share their top stock picks for the month of August, and this is what they had to say:

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#### **Ryan Goldman: Algonquin Power & Utilities Corp ([TSX:AQN](#))([NYSE:AQN](#))**

After dropping approximately 5% for the month of July, my top pick for the month of August is **Algonquin Power & Utilities Corp ([TSX:AQN](#))([NYSE:AQN](#))**. The company, which operates in one of the most defensive industries available, currently offers a dividend yield of approximately 4.5%.

Given that the dividends paid by the company are in USD, a number of investors have recently decided to exit the investment, causing a decline from a 52-week high of more than \$14 per share to a current price around the \$13.25 mark. Clearly, the stronger Canadian dollar has not been prosperous for everyone.

With very consistent revenues, earnings and dividends, investors may want to strongly consider shares of this utility.

*Fool contributor Ryan Goldman owns shares of Algonquin Power & Utilities Corp.*

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#### **Chris MacDonald: Valeant Pharmaceuticals Intl Inc. ([TSX:VRX](#))([NYSE:VRX](#))**

**Valeant Pharmaceuticals Intl Inc ([TSX:VRX](#))([NYSE:VRX](#))** has outperformed the broader market by a substantial margin these past two months, and I anticipate the trend is likely to continue as contrarian investors and momentum investors pile into this stock, impressed by the ability of Valeant's management team to execute on its plan to cut the company's massive debt load by \$5 billion by February of 2018.

With a large chunk of the \$5 billion already reclaimed, and Valeant's debt profile looking considerably better, organic growth opportunities and profitability will be two of the key indicators investors will be looking at over the coming months to assess whether the rally in Valeant shares will continue. I'm

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betting it does.

*Fool contributor Chris MacDonald has no position in Valeant Pharmaceuticals Intl Inc.*

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### **Kay Ng: Altagas Ltd. ([TSX:ALA](#))**

You probably won't see the shares of **Altagas Ltd. ([TSX:ALA](#))** moving much in the near term because of the \$8.4 billion **WGL Holdings** acquisition that the company is working on.

However, Altagas offers an exceptional yield of +7%, which is supported by largely long-term contracted cash flows from its diversified portfolio of power generation, gas transporting and processing, and regulated gas utility assets.

Furthermore, in the next 12 months, the mean analyst target on the stock is about \$35, which represents roughly 20% upside potential from the recent quotation of \$29.30 per share.

With the yield that it offers, even without any price appreciation, investors can expect an investment today to double in a little over 10 years.

*Fool contributor Kay Ng owns shares of Altagas Ltd.*

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### **David Jagielski: Cenovus Energy Inc ([TSX:CVE](#))([NYSE:CVE](#))**

**Cenovus Energy Inc ([TSX:CVE](#))([NYSE:CVE](#))** is my choice for August's top pick because I believe this company has unfortunately been hit with a lot of bad press and, as a result, the stock has taken a beating. However, since hitting \$9 a share, it seems to have found some support and has made some progress since then. Cenovus is also trading at a big discount at less than 0.70 times its book value.

I like Cenovus because I see a lot of upside in its price and it has had two consecutive quarters of profitable earnings. If the company can continue that trend with its Q2 earnings, I think that will help it to turn a corner and create some much needed positivity around the stock.

*Fool contributor David Jagielski has no position in Cenovus Energy Inc.*

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### **Joey Frenette: Canadian Tire Corporation Limited ([TSX:CTC.A](#))**

**Canadian Tire Corporation Limited ([TSX:CTC.A](#))** is now 14% off its all-time high a few months ago over worries that e-commerce giants are pressuring the brick-and-mortar retailer to invest in an online platform.

The same-store sales weakness at FGL Sports — Canadian Tire's subsidiary, also frightened investors, especially considering how much the management team had spent on renovations and in-store innovations to drive store traffic at FGL Sports owned locations.

I believe the all the investor pessimism is unwarranted and the sell-off is overdone. The management team has shown many times in the past that it can adapt to a changing retail environment, no matter how challenging it gets.

If you're a value investor looking for a solid Canadian brand at a discount, then I'd suggest to look no further than Canadian Tire.

*Fool contributor Joey Frenette owns shares of Canadian Tire Corporation Limited.*

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### **Stephanie Bedard-Chateauneuf: National Bank of Canada ([TSX:NA](#))**

**National Bank of Canada ([TSX:NA](#))**, the sixth largest bank in Canada, is my top stock for August.

National Bank increased its prime rate from 2.70% to 2.95%, following the interest rate rise by the Bank of Canada. A higher interest rate charged on loans will help National Bank improve its profits.

This bank has a high dividend yield, over 4%. The quarterly dividend has been increased from \$0.56 to \$0.58 per share for the quarter ending July 31, 2017.

National Bank's share price is very cheap, with a forward P/E of only 10.6. The bank's earnings are expected to grow by 60% this year, which is very high.

This bank is innovative and is always looking to improve its clients' satisfaction. A good example of this is the elimination of transaction fees on Canadian ETFs.

*Fool contributor Stephanie Bedard-Chateauneuf has no position in shares of National Bank of Canada.*

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### **Colin Beck: Fairfax Financial Holdings Ltd. ([TSX:FFH](#))**

One of the biggest attractions of **Fairfax Financial Holdings Ltd. ([TSX:FFH](#))** is CEO Prem Watsa. Watsa is a disciplined asset allocator with a long track record of generating returns for shareholders. The company's decentralized management style has allowed Watsa to focus on investment opportunities while the company's holdings continue to generate significant cash.

The stock price took a hit after suffering large losses from hedging its investments; however, this has created an opportunity to buy a fantastic company at a discount. This is a company I'd recommend buying and holding for a long time!

*Fool contributor Colin Beck owns shares in Fairfax Financial Holdings Ltd.*

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### **Jason Phillips: Baytex Energy Corp ([TSX:BTE](#))(NYSE:BTE)**

My top pick for the month of August is **Baytex Energy Corp ([TSX:BTE](#))(NYSE:BTE)**. Baytex is one of the most leveraged plays within the Canadian oil sands today, which means that its profitability and cash flow are extremely sensitive to the direction and level of oil prices.

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With that in mind, 2017 has proven to be a pretty disastrous year for the company. WTI has fallen from US\$55 to US\$46 since the start of the year. Baytex essentially needs oil to level off somewhere closer to US\$55.

Yet there is reason for optimism, as commodity prices rallied to end June and have trended up in July. A stronger Canadian dollar also supports the thesis of a rebound in the price of crude.

If this trend is to continue, there may be no better speculative play in the market than Baytex.

*Fool contributor Jason Phillips has no position in shares of Baytex Energy Corp.*

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### **Andrew Walker: Fairfax Financial Holdings Ltd. ([TSX:FFH](#))**

**Fairfax Financial Holdings Ltd. ([TSX:FFH](#))** has delivered a compound annual return of better than 18% since 1985.

The company's founder and CEO, Prem Watsa, is widely viewed as Canada's Warren Buffett, and is always on the lookout for strategic acquisitions, including the recent purchase of Allied World.

Fairfax reported a rare loss in 2016 on the hit it took to unwind its index hedges in the wake of the U.S. election.

With the stock down about 15% in the past 12 months, investors with a buy-and-hold strategy might want to step in while the name is out of favour.

*Fool contributor Andrew Walker has no position in Fairfax Financial Holdings.*

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### **Ambrose O'Callaghan: Maple Leaf Foods Inc. ([TSX:MFI](#))**

**Maple Leaf Foods Inc. ([TSX:MFI](#))** is my top pick for August. This Canadian-based packaged meats company provides stability and a strong balance sheet while key sectors on the S&P TSX Index face turbulence. Maple Leaf Foods released a positive earnings report in late April; adjusted earnings per share beat estimates – up 18% year over year.

The company boosted their dividend 22% to \$0.11 per share in February, with a yield of 1.35%. The share price has seen a dip after reaching an all-time high in early June, and with Q2 earnings set to be released July 27 investors could gobble it up at a bargain.

*Fool contributor Ambrose O'Callaghan has no position in Maple Leaf Foods Inc.*

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### **Alexander John Tun: Vermilion Energy Inc. ([TSX:VET](#))([NYSE:VET](#)),**

The larger than expected crude drawdown at the end of July was just the latest in a string of bullish news for oil, following Kuwait and the UAE's decision to join Saudi Arabia in promising further production cuts. As the sentiment for oil begins to turn, my top pick for August is **Vermilion Energy Inc. ([TSX:VET](#))([NYSE:VET](#))**, which is currently paying investors a whopping 6.2% yield, which the company

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has never cut in its entire history. Adding to the bull thesis, Vermilion also reported strong quarter-over-quarter production increases and fund flows from operations, thanks to higher sales volumes, despite WTI trading below \$50/bbl.

*Fool contributor Alexander John Tun has no position in any stocks mentioned.*

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### **Karen Thomas: Labrador Iron Ore Royalty ([TSX: LIF](#))**

Shares of **Labrador Iron Ore Royalties** ([TSX: LIF](#)) are still a great addition to the portfolios of investors who are looking for a strong dividend yield, security of the dividend and capital appreciation.

The company's dividend yield currently stands at 5.87%. And this is just the yield on its regular dividend and it does not consider any special dividends that are paid out, which would become more frequent should the price of iron ore continue to strengthen.

In fact, the company paid out a special dividend of \$0.35 per share in June, and if we include this in our dividend yield calculation, we get a dividend yield of 7.9%.

*Fool contributor Karen Thomas does not own shares in Labrador Iron Ore Royalty Corp.*

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### **Haris Anwar: Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#))**

**Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is my top pick for August and beyond. The company operates critical infrastructure assets globally, providing a nice diversification to dividend investors in North America. Its assets range from electricity and gas distribution business in Australia and the U.S., railroads in South America, and a portfolio of 36 ports in North America, Asia Pacific, the U.K., and across Europe.

These cash-generating assets help the company to pay sustainable and growing dividends over the long term. Brookfield Infrastructure is also a great growth play. Over the past five years, its shares have massively outperformed the **S&P/TSX Composite Index**, surging ~125%. With a current yield of 3.4% and a distribution growth target of 5-9% annually, Brookfield Infrastructure offers an attractive opportunity for dividend investors.

*Fool contributor Haris Anwar has no position in Brookfield Infrastructure Partners L.P.*

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### **Matt Smith: Continental Gold Inc. (TSX:CNL)**

Investing in junior gold miners can be hazardous but they also offer far greater upside than senior miners. One that stands out for all the right reasons is **Continental Gold Inc.** (TSX:CNL) which is developing the 3.7 million-ounce Buritica project in Colombia, ranked among the highest-grade gold projects globally.

The mine is expected to commence production in 2020 and has an estimated life of 14-years. Because of the high ore grade it has forecast all-in sustaining costs of US\$492 per ounce which are some of the lowest in the industry.

It is fully permitted, financing is complete and mine development is on schedule, implying that much of the risk associated with its development has diminished. Confidence in the project received a major boost when industry giant **Newmont Gold Corp** took a strategic 20% stake in Continental, indicating that it could be considering acquiring the junior miner.

Continental may be a riskier investment than gold miners with operational assets but much of that risk has been alleviated. When coupled with it appearing attractively priced, it is an appealing investment.

*Fool contributor Matt Smith has no position in any stocks mentioned.*

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### **Neha Chamaria: Goldcorp Inc (TSX:G)(NYSE:GG)**

Gold prices are up almost 9% year to date as of this writing, but shares of one of the largest gold miners in the world, Goldcorp are down almost 8% year to date and nearly 14% in just the past three months, presenting investors in precious metals a great opportunity to buy.

Goldcorp is doing a lot of things right lately: It doubled its earnings in the first quarter, cut down its all-in-sustaining cost (AISC) by 4% to US\$800 per ounce of gold, struck a 50-50 joint venture with **Barrick Gold** to jointly develop high-potential deposits in Chile, and aims to increase its gold production by 20% while slashing AISC by 20% by 2021.

Given Goldcorp's efforts to cut costs and boost cash flows, the stock looks compelling at a price of 10.8 times price-to-operating cash flow from a long-term perspective.

*Fool contributor Neha Chamaria has no position in this company.*

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### **CATEGORY**

1. Investing
2. Top TSX Stocks

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
  2. NYSE:BHC (Bausch Health Companies Inc.)
  3. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
  4. NYSE:CVE (Cenovus Energy Inc.)
  5. NYSE:VET (Vermilion Energy)
  6. TSX:ALA (AltaGas Ltd.)
  7. TSX:AQN (Algonquin Power & Utilities Corp.)
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8. TSX:BHC (Bausch Health Companies Inc.)
9. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
10. TSX:BTE (Baytex Energy Corp.)
11. TSX:CTC.A (Canadian Tire Corporation, Limited)
12. TSX:CVE (Cenovus Energy Inc.)
13. TSX:FFH (Fairfax Financial Holdings Limited)
14. TSX:LIF (Labrador Iron Ore Royalty Corporation)
15. TSX:MFI (Maple Leaf Foods Inc.)
16. TSX:NA (National Bank of Canada)
17. TSX:VET (Vermilion Energy Inc.)

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1. Editor's Choice

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## **Author**

motley-fool-staff

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