



The 5 Best Stocks on the TSX

Description

A good friend of mine recently emailed me to ask what I thought of **Imax Corp.** ([NYSE:IMAX](#)) as an investment. While it's not one that I routinely follow, I did have a look at its financials and came to the conclusion that if I were buying stocks on the NYSE, it wouldn't be my first choice and left it at that.

My friend then said, "Well, what about the TSX?"

"What about it?" I asked.

"What TSX stocks are 10s?"

My answer was short and sweet. There aren't any. There might be some high-quality companies listed on the TSX, but every business has its flaws, and therefore, it's a very subjective answer.

Anyway, my friend relented and instead asked me what I thought were the five best stocks on the TSX. To answer that subjective question, I first came up with a list of 27 TSX stocks with market caps of \$500 million or more that I would consider worthy of investment.

A trio of stocks

Almost instantly, I was able to identify the first three stocks for my "5 Best on the TSX" list. They are, in no particular order, **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)), **New Flyer Industries Inc.** ([TSX:NFI](#)), and **Premium Brands Holdings Corp.** ([TSX:PBH](#)).

Brookfield CEO Bruce Flatt has done a tremendous job growing the alternative asset manager by zigging when the market zags, investing in beaten-down assets in need of a little encouragement.

Not every investment Brookfield makes is wart-free, as I [discussed](#) in September, but it wins more often than it loses, producing a six-year winning streak on the TSX and delivering an average annual return of 22% over this period.

Back in June, I wrote that I thought New Flyer Industries still had gas in the tank, despite a significant

run by its stock — up 36% year to date through June 15 — and a valuation that some thought had become overheated.

My argument had less to do with the near term and more to do with New Flyer's future beyond 2017. Its free cash flow, the key to any good business, had tripled since 2010; add to that the fact that buses are going to continue to be an essential part of any municipal transportation system, New Flyer should have no problem keeping its free cash flow growing.

The last of the trio is Premium Brands, a Vancouver food company that specializes in [buying](#) and profitably integrating other food businesses both in Canada and the U.S. If you eat sausage sticks made by Piller's or Freybe, these two companies were acquired by Premium Brands in 2011 and 2013, respectively.

CEO George Paleologou has done a masterful job growing PBH since 2000. Still only 56 years old, it's got a very bright future ahead of it.

Two final choices

Now it gets tough, because I have to come up with two picks out of 24 quality companies.

I first [recommended](#) **Tricon Capital Group Inc.** ([TSX:TCN](#)) in May 2016 when it was trading at \$8. It's now trading close to \$11, and I feel like it's just getting started. I'm not the only Fool who feels this way.

In late September, Fool contributor Kay Ng gave the real estate asset manager a big shout out to investors, [suggesting](#) it's "an attractive investment for capital appreciation."

I couldn't agree more.

My last pick has had a tough go of it lately with its stock down 11% over the past 52 weeks, but you can never count out **Alimentation Couche Tard Inc.** ([TSX:ATD.B](#)). Co-founder Alain Bouchard and CEO Brian Hannasch have an excellent working relationship, which has been a big part of why the company has grown into one of the world's best operators of convenience stores.

Like Premium Brands, Couche Tard is very good at buying other chains and integrating them into the Circle K brand in an efficient manner that allows it to pay down the debt used to make these acquisitions.

Its latest target is thought to be the convenience store business owned by U.S. grocery retailer **Kroger**. Given that Kroger's focus is on doing battle with Whole Foods now that **Amazon** owns it, this is a very logical M&A deal for both parties.

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2. NYSE:IMAX (IMAX)
3. TSX:BN (Brookfield)
4. TSX:NFI (NFI Group)
5. TSX:PBH (Premium Brands Holdings Corporation)
6. TSX:TCN (Tricon Residential Inc.)

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