



Go Long With This Short List of 4 Small-Cap Stocks

Description

Small-capitalization stocks on the TSX have not done as well as U.S. small caps. Take a look at exchange-traded fund (ETF) **iSHARES SP TSX SMALLCAP INDEX ETF** ([TSX:XCS](#)), and you will see a poor showing (five-year return of 13%). Meanwhile, pretty much any of the U.S. small-cap ETFs would be doing better, like the **PowerShares S&P SmallCap Low Volatility** (NYSE:XSLV), up 87% or more over five years.

Are TSX small caps cursed? Surely [not](#). Here is a list of worthy candidates.

CanWel Building Materials Group Ltd. (TSX:CWX) had a poor Q2, but it has rebounded nicely — so much so that this wholesale building materials distributor business is now at a 52-week high. CanWel went public in Feb 2010 but stumbled out of the gates with a steep drop in 2011 and ended up doing a reverse stock split in 2014. The current high of \$7.15 reflects a very solid Q3, where revenue increased by 15% to \$317 million.

CanWel sells engineered wood products, decks, exterior siding, among other home building products. The stock could continue set new 52-week highs due to revenue tailwinds from new home developments in Canada.

Computer Modelling Group Ltd. ([TSX:CMG](#)) is another interesting company; it has trended down at various points in 2017, but this is a company that meets earnings expectations by providing software the oil and gas industry. Earnings have been flat as of yet, but the stock pays a 4% dividend, and there is cash on hand to keep this up. If it continues to trend in the \$9 range, then it would be a nice entry point.

Software in the energy sector is all the buzz. Energy companies are relying on data now more than ever to help make decisions and optimize operations. This is innovation that could help this sector be independent of the price of crude oil or related commodities. CMG has a role to play in this regard, including the ever-popular artificial intelligence software options to increase productivity.

Tricon Capital Group Inc. ([TSX:TCN](#)) is a \$1.5 billion company that invests and [runs](#) real estate operations in North American, predominantly south of the border. One U.S. division is Tricon American Homes, which rents single family homes, has made resounding strides in the most recent quarter by doubling its bottom line. Overall, revenue is up 92% in Q3 compared to Q3 in 2016.

Morneau Shepell Inc. (TSX:MSI) is a \$1.2 billion company that offers business consulting services. Clients must like what Morneau brings the table; Morneau has over 20,000 client organizations in Canada, the U.S., and globally. The recent quarter was a very good one, with an +80% increase in earnings per share compared to last year. The dividend history is a bit spotty, but the yield is still above average, even at the current level (3.6%). Morneau's stock price has been steadily climbing for almost two straight years. At current levels, you have to pay a bit of a premium for this stock, so it might be better to add this dependable company to your watch list.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CMG (Computer Modelling Group Ltd.)
2. TSX:DBM (Doman Building Materials Group Ltd.)
3. TSX:TCN (Tricon Residential Inc.)
4. TSX:XCS (iShares S&P/TSX SmallCap Index ETF)

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