



The 3 Best Stocks Not in the S&P/TSX 60

Description

One of the first articles I ever wrote for Motley Fool Canada was back in March 2016. In it, I crowned **Cineplex Inc.** ([TSX:CGX](#)) the [best](#) consumer discretionary stock not in the **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)).

After the first year, it was up high single digits but lost momentum this summer when the box office started to slow, and earnings took a hit thanks in large part to the release of some really bad Hollywood movies. It's no coincidence that Harvey Weinstein's troubles came not too long after the box office went to pot.

Call it bad karma, but it was a sign the movie business is in pressing need of an overhaul. You can't rely on hit brands like [Star Wars](#) to pad the bottom line. CEO Ellis Jacob is working on a solution, but it's going to take some time. Long term, I'm [confident](#) the company has what it takes to be successful.

In the meantime, it's gotten me thinking about good stocks to own that aren't in the S&P/TSX 60 but are in the **iShares S&P TSX Capped Composite Index Fund** ([TSX:XIC](#)). The former has 60 holdings, while the latter has four times as many, leaving investors with almost 200 possibilities beyond 60 of Canada's largest companies.

Which are the three best stocks not in the S&P/TSX 60? Here are my choices.

Growth stock

The debate over whether **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) has a real business model has yet to be answered substantively by either the shorts or the longs, thus providing investors with all kinds of volatility. Owning the e-commerce growth stock is not for the faint of heart.

Personally, I'm like many of the opinion makers at Fool.ca. Until Citron Research's Andrew Left comes up with irrefutable [evidence](#) that Shopify is a Ponzi scheme, the company remains one of North America's most compelling growth stories. Fail to own it at your peril.

Despite the back and forth between Left and Shopify CEO Tobi Lütke, its stock is still up 136% year to

date. Without hard evidence, it'll be up triple digits once more in 2018.

Value stock

If you haven't been paying attention to **Transcontinental Inc.** ([TSX:TCL.A](#)) in the last 12-24 months, you might not recognize some of the changes at the Quebec company best known for its great big printing presses.

In the past year, it's sold all of its Atlantic Canada newspapers and digital properties as well as 60% of its media holdings in Quebec and Ontario with the remainder likely to find owners in 2018. The money from those sales is being reinvested in its flexible packaging business, which has gone from non-existent at the beginning of 2014 to 15% of the company's \$2 billion in annual revenue at the end of October 2016.

Today, given it acquired another packaging company in 2017, the percentage is likely higher, although it hasn't broken that out in its financial report as it did last year.

Nonetheless, it's stronger today financially than it's ever been, and it's got a growth vehicle to take the company higher. If you're an income investor who's concerned about dividend payouts continuing, Transcontinental has raised it for 17 consecutive years.

Blend stock

Sleep Country Canada Holdings Inc. ([TSX:ZZZ](#)) co-founder and executive co-chair Christine Magee has been the face of the mattress retailer forever. There probably isn't a more critical piece of furniture in your home than your bed, because without a good night's sleep, your productivity decreases dramatically.

The company is the only national pure-play mattress retailer that's publicly traded. It recently got a boost from the Sears Canada bankruptcy and liquidation. Sleep Country had about [25%](#) market share in the mattress segment in Canada, with **Leon's Furniture Ltd.** a distant second at 16%, and Sears Canada right behind it at 15%.

With Sears Canada gone, retailers such as **Ikea** with single-digit market share are elbowing their way into the mattress wars. Sleep Country is no doubt aware of the interest by others, but it's definitely equipped to handle the fight.

In early November, Sleep Country stock dropped by 12% after announcing good earnings that had a couple of soft spots — same-store sales were 7.3% in the quarter, 40 basis points lower than a year earlier — which had Fool contributor Joseph Solitro [screaming](#) buy, buy, buy!

He's right.

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:LNF (Leon's Furniture Limited)
4. TSX:SHOP (Shopify Inc.)
5. TSX:TCL.A (Transcontinental Inc.)
6. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)
7. TSX:XIU (iShares S&P/TSX 60 Index ETF)
8. TSX:ZZZ (Sleep Country Canada)

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