

## 2 Contrarian Picks for a TFSA Portfolio Today

### Description

Canadians are searching for attractive stocks to put in their TFSA portfolios.

The strategy makes sense, as any income or capital gains generated inside the TFSA are yours to keep.

This is especially attractive for contrarian investors who might be considering a position in [unloved stocks](#) that have the potential to deliver some impressive upside in the coming years.

Let's take a look at two stocks that have not participated in the stock market rally over the past year.

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

A year ago, Baytex traded for close to \$6 per share. At the time of writing, investors can pick it up for \$4.25.

The stock has drifted higher in recent months, but the gains have been less than one would anticipate, given the strong move in oil.

WTI oil is now at US\$66 per barrel, up from US\$43 in June. A year ago, it was US\$53 per barrel, so you can see why investors might be thinking Baytex has some catching up to do.

The company still carries significant debt, but it has held on to most of its assets through the downturn. As a result, the potential for long-term growth could be attractive. In fact, Baytex has estimated its net asset value to be above \$9 per share at oil prices that are significantly below current levels.

#### **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#))

TransAlta was hit by a nasty combination of high debt, falling power prices, and negative sentiment towards coal-fired power plants.

As a result, the stock fell from above \$20 per share to \$4, and management had to trim the dividend several times.

Over the past year or so, the situation has improved, but investors are still not fully convinced.

A deal with Alberta cleared up uncertainty around TransAlta's future in the province. The company is receiving payments of about \$37.4 million per year through 2030 to assist with the transition from coal to natural gas.

Debt is being paid down, and while power prices remain weak, a recovery in the [energy sector](#) in the province could help things along.

The existing dividend should be safe and currently provides a yield of 2.3%.

At the time of writing, the stock trades for \$7 per share, giving the company a market capitalization of roughly \$2 billion. TransAlta's ownership stake in **TransAlta Renewables Inc.** ([TSX:RNW](#)) is worth \$2.05 billion, so investors are pretty much getting the assets that have not been dropped down into RNW for free.

### The bottom line

Potential deals are out there, despite the strong overall performance of the market. We just have to do some digging to find them.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:RNW (TransAlta Renewables)
4. TSX:TA (TransAlta Corporation)

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