



## 5 Stocks to Own From the Capital Portfolio

### Description

Every once in a while, I like to have fun with my stock selection by focusing on something I normally wouldn't consider when picking investments.

A common theme I'll use when doing this is to narrow the field by screening for a certain word or phrase. In October, I [searched](#) for the word *royalty* and came up with 11 possibilities; I chose three, none of which have done very well in the five months since.

Remember, this isn't an exercise meant for your core portfolio or retirement fund; it's a way to come up with *potential* new investment ideas.

Today, I've homed in on the word *capital*. A quick screen of TSX stocks with a market cap of \$500 million or more delivers a total of nine stocks; I've picked five. They're listed from the largest cap to the smallest.

### Option one

The biggest of the nine options at a market cap of \$5 billion, **First Capital Realty Inc.** (TSX:FCR) is one of my favourite real estate stocks on the TSX, primarily because of its focus on urban retail properties.

I think FCR has been so successful at this kind of retail real estate that it's [forced](#) competitors such as **RioCan Real Estate Investment Trust** to follow a similar path, although RioCan is more focused on the residential rental market.

As of the end of 2017, FCR had 24 million square feet of leasable space scattered across 161 Canadian properties in the four most populous provinces with almost 22 million square feet of future development potential.

Over the past 10 years, FCR has achieved a compound annual growth rate of 8.9% — 100 basispoints greater than the S&P/TSX Capped REIT Index and 430 basis points higher than the S&P/TSX Composite Index.

Of the five stocks discussed in this article, FCR is the one I'd recommend you buy first.

### Option two

The Fool's own David Jagielski recently called **Capital Power Corp.** ([TSX:CPX](#)) one of the [best utility stocks](#) for your TFSA. Yielding 6.9%, it's not going to deliver huge capital appreciation in the coming years, but the Edmonton-based power producer's 24 facilities in Canada and the U.S. will continue to deliver stable income from its 4,500 megawatts of power generation.

It's an income investor's dream stock.

### Option three

I recently called **Tricon Capital Group Inc.** ([TSX:TCN](#)) one of the five [best stocks](#) on the TSX. It, along with FCR and **Brookfield Asset Management Inc.**, are my three favourite real estate stocks on the TSX.

Tricon's biggest ace in the hole is Tricon American Homes — its single-family home ownership and rental business in the U.S. Through a large acquisition in the U.S. in 2017, it's managed to become one of the top players in that market.

Below \$10, it's a buy; below \$9, it's a steal.

### Option four

If you're looking for a small-cap stock with liquidity, **Senvest Capital Inc.** ([TSX:SEC](#)) is not your cup of tea. It trades less than a 1,000 shares a day, making it a buy-and-hold stock if there ever were one.

Publicly traded since 1972, it's part portfolio manager, part private equity investor. Its history is an interesting one that includes selling First Choice, Canada's first pay-TV channel to Astral Media.

Today, the company generates most of its income from public and private equity investments. Down in the U.S., it's growing its talent, which should deliver positive results in the future south of the border.

### Option five

The final pick is **Solium Capital Inc.** ([TSX:SUM](#)), a Calgary-based software platform that allows HR departments manage their company's equity plans in the cloud.

Still very much in growth mode — Q4 2017 revenues grew 21%, and for the year they were up 12% — profits will be constrained for the next 12-18 months as it invests in its U.S. business.

If First Capital is the best of the five in terms of stability, Solium probably is the stock with the most upside potential.

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1. Investing

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1. Editor's Choice

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1. TSX:CPX (Capital Power Corporation)
2. TSX:FCR.UN (First Capital Real Estate Investment Trust)
3. TSX:TCN (Tricon Residential Inc. )

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