This Market-Beating Income Fund Belongs in Your TFSA!

Description

Boyd Group Income Fund (TSX:BYD.UN) isn't your typical income fund. In fact, the name of the security is quite misleading as the 0.46% distribution yield is substantially lower than your average TSX-traded stock. The income fund is actually an open-ended mutual fund trust that was created as a means of holding onto acquired investments, and not as an instrument to return above-average amounts of cash back into the pockets of shareholders like most other "income funds."

So, why would anyone invest in an "income fund" that has little to offer income-oriented investors?

Well, it's all about the underlying business behind the security, Boyd Group Inc., which is the largest collision repair shop operator in North America. Boyd offers a boring, but necessary service and has one of the most predictable low-tech growth stories out there.

With Boyd Group, you're getting a growth-by-acquisition story that's showing no signs of slowing down. Although the distribution is underwhelming, the fund has appreciated at an astounding rate, more than doubling over the last three years and more than quadrupling over the last five years.

Moreover, if you have a look at the longer-term chart, you'll see that the trend line fits perfectly through the stock with little to no meaningful pullbacks. With an above-average amount of momentum and a below-average amount of volatility, Boyd is quickly emerging to become one of the finest "smart beta" securities on the TSX.

With a ~$2.2 billion market cap, the company hasn't been getting the attention or analyst coverage that it deserves. At this rate, however, I find it unlikely that the mainstream financial media will be able to continue to ignore this rapidly rising earnings-growth king that's become a free cash flow cow that's poised to fare well regardless of what shape the economy's in.

Solid Q1 2018 is fuel for a continued rally higher

For the first quarter, Boyd Group clocked in an adjusted EBITDA of $42.1 million, well above analyst expectations of $40.8 million. Revenue surged to $453.3 million, up ~20% on a year-over-year basis, also beating the Street consensus of $449.5 million.

The solid top and bottom-line beat were thanks in part to strong same-store sales growth (SSSG) of 4%, well above what analysts were calling for. Moving forward, management noted its intent to increase its technician count in order to deal with what could be an overwhelming demand for servicing as we head into the latter part of the year.

Bottom line

Looking ahead, Boyd Group will likely going to continue its accretive M&A efforts in order to keep the fund's upward momentum going. In addition, the trend of rebounding SSSG numbers is a promising sign that could lead to big bottom-line beats in the year ahead.

Boyd Group is a smart beta stock is a must-have for any young investor's TFSA. Not only are you getting consistent market-beating returns, but the "income fund" may actually live up to its name over the really long-term as the distribution continues to grow in conjunction with earnings.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/09/10
Date Created
2018/06/04
Author
joefrenette