Can Investors Really Gain Access to $5.127 Trillion in Global Industry With Just 2 Stocks?

Description

If you've just started thinking about investing in Canadian stocks, you'll probably have heard a lot of talk about miners and precious minerals. The TSX is dominated by miners and financials, so get used to it!

But which miners are going to give you the best bang for your buck? While gold may be eye-catching and lithium has its advantages, the safest bets at the moment seem to come from two unlikely sources: cobalt and potash.

Buying into mining stocks is a capital gains investment strategy that involves buying low and selling high, rather than making your income via passive dividends – though a combination of these two strategies is recommended for a mix of diversified profits.

Here's your potash power play…

Nutrien Ltd. (TSX:NTR)(NYSE:NTR)

Overvalued by 50% of its future cash flow value, shares in Nutrien are a little steep at present. Its multiples are off the chart when it comes to growth, all except its P/B of 1.4 times book.

A 35.5% expected annual growth in earnings means that Nutrien is one for growth investors, however. Hold Nutrien for long-term gains, but beware of its cyclical nature! This is a stock that will keep you checking, so be sure that you add it only if you can keep up. A dividend yield of 3.08% isn't bad for what is basically a long-term capital gains stock. There aren't many growth stocks out there that pay a yield this good, so snap it up when it dips or buy high and wait for it to gallop.

High levels of debt and unsold physical assets make Nutrien a bit of a gamble. However, considering how essential potash is to the agricultural industry, you're basically betting that people keep needing to eat in the future. Food and agribusiness is a $5 trillion industry, by the way.

And in the cobalt corner…

Cobalt 27 Capital (TSX:KBLT) is overvalued by almost three times its future cash flow value at present. That said, its share price fell by 2.24% overnight at the time of writing and continues to nosedive.

A super low P/E of 5.7 times earnings is just what you want to see when looking for value, and it's backed up with a very pleasant P/B ratio of 0.8 times book. Trading below book isn't something you see all too often on the TSX index at the moment, so take it where you can get it!

Don't expect a dividend yield from Cobalt 27. Rather, buy it for the gains that it could make when the global electric vehicle (EV) market explodes – which it will. The main reason to buy a pure-play cobalt miner is for exposure to tech: batteries, EVs, and other highly priced products. It's a very healthy stock indeed, with a low level of unsold assets. Furthermore, Cobalt 27 has also been totally debt free for the last five years.

The global EV market alone could be worth $127.7 billion by 2022, accruing a compound annual growth rate (CAGR) of around 11.0% over the next four years.

The bottom line

Getting into cobalt and potash is a great idea. You are diversifying your market exposure in ways that aren't readily obvious, while still buying into what is Canada's strongest suit: mining stocks. Throw in a few financials and some stable energy stocks and you'll have yourself a mini TSX index before you know it. While Nutrien is a great entry point for agri, Cobalt 27 gives investors an unusual, but potentially very rewarding tech and EV market play.

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