



Top Stocks for September – Part 1

Description

You can find part 2 of this month's Top Stocks article [here](#).

Matt Smith: Surge Energy Inc.

Crude has rallied again, triggering speculation that it could reach triple digits by the end of 2018, making now the time to bolster exposure to energy stocks in my opinion. **Surge Energy** ([TSX:SGY](#)), which drills for light oil in conventional reservoirs, shapes up as an impressive choice.

An appealing aspect is that over 80% of Surge's production is weighted to oil and other petroleum liquids. This minimizes the impact of the natural gas slump and eliminates exposure to the sharp discount applied to Canadian heavy oil. Production is expanding at a solid clip, rising by 13% year over year to 17,072 barrels daily for the second quarter 2018. Surge is also a low-cost operator, reporting a netback of \$29.46 per barrel for that period which was a healthy 26% greater than a year earlier. This positions Surge to comfortably achieve its 2018 guidance and indicates in an environment where oil is rising its earnings will soar.

Surge was one of the few drillers to retain its dividend despite oil's prolonged slump. It recently hiked that monthly payment, giving investors the opportunity to lock in an attractive 4%+ yield.

Fool contributor Matt Smith has no position in any stocks mentioned.

Andrew Button: Sun Life Financial Inc

Sun Life Financial ([TSX:SLF](#))([NYSE:SLF](#)) is my top pick for September. The stock is flat year-to-date, but is up about 62% over five years. It pays a dividend of \$0.48 per quarter (roughly \$1.9 per year) — that gives a yield of about 3.60%. Management has been steadily raising the dividend since Q1 2016.

Sun Life Financial is undervalued by many metrics. Its trailing P/E is about 13.42, despite steady earnings growth (about 22% year-over-year). The stock also has a price-to-book ratio of 1.48.

Owing to low valuation, moderately high dividend income, and high earnings growth, I wholeheartedly recommend Sun Life Financial.

Fool contributor Andrew Button has no position in Sun Life Financial.

David Jagielski: Fortis Inc

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is my stock pick for September. Although year to date it is down more than 7%, with the markets showing a lot of uncertainty, it can provide your portfolio with some stability and opportunity for long-term growth. Not only can you benefit from capital appreciation down the road, but the stock also pays a yield of 4%, which is ideal for investors looking to secure some recurring cash flow.

Stocks are continuing to get more and more expensive, but Fortis is one investment where you can still get good value for your money. Currently the share trades at a price-to-earnings ratio of 18 and at only 1.3 times its book value.

Fool contributor David Jagielski has no position in Fortis.

Ambrose O'Callaghan: Canadian Imperial Bank of Commerce

My top stock for September is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). Shares have been mostly flat year-over-year but CIBC boasts the most attractive dividend of its peers. Its board recently hiked its quarterly dividend to \$1.36 per share, which puts it well into a 4% yield.

Apart from the attractive income it provides, CIBC's earnings have also been very positive. In the third quarter the bank saw its adjusted profit rise 20% from the prior year to \$1.399 billion. CIBC also posted year-over-year income growth in each of its banking segments.

Fool contributor Ambrose O'Callaghan has no position in any stocks mentioned.

James Watkins-Strand: Fairfax Financial Holdings Ltd

Between the S&P 500 hitting all-time highs and the yield curve at its flattest since before the Great Recession, it may be prudent to be mindful of risk. Handing the reins over to Canada's Warren Buffett, Prem Watsa, seems like a sensible option and can be achieved with an investment in **Fairfax Financial Holdings** ([TSX:FFH](#)).

At its core, Fairfax is an insurance company that has, historically, invested its insurance float extremely effectively, leading to superb returns for its shareholders. Trading at P/E multiple of around 7.5, a P/B ratio of about 1.2, and yielding roughly 1.7%, Fairfax has appealing fundamentals and earns itself the title of my top stock for September.

Fool contributor James Watkins-Strand doesn't have any position in Fairfax Financial Holdings.

Brian Pacampara: Restaurant Brands International

As a value investor, I can't help myself: my top stock for September is none other than **Restaurant Brands** ([TSX:QSR](#))([NYSE:QSR](#)).

August wasn't pretty for the parent of *Tim Hortons*, *Burger King* and *Popeyes*, which saw its shares sink about 7% over the month. Lower-than-expected same-store sales in Q2, coupled with ongoing franchisee and labor disputes, have weighed on investor confidence.

But with Restaurant Brands now off more than 10% from its 52-week highs and boasting a dividend yield of 3.1%, it's too tasty to ignore. The company remains a best-in-class operator and an absolute cash cow, with massive overseas growth potential to boot.

So, I would use the weakness in August to play a possible bounce in September — and beyond.

Fool contributor Brian Pacampara doesn't have any position in Restaurant Brands.

Karen Thomas: Pason Systems Inc.

With the summer nearing an end, we are fast approaching the seasonally strong fall/winter season in the energy industry.

Pason Systems ([TSX:PSI](#)), a global energy services company that currently has a dividend yield of 3.31%, has a strong track record and a bright future.

The company's competitive advantage lies in its technology, which lowers the risk and increases profitability for oil and gas producers.

This is a company that has a history of strong cash flow generation, consistent dividend increases, and a very profitable business model.

In the first six months of 2018, the company reported a 24% increase in revenue, a 670 basis point increase in EBITDA margins, and a 66% increase in funds flow from operations.

Fool contributor Karen Thomas doesn't have any position in Pason Systems

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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)

5. TSX:FFH (Fairfax Financial Holdings Limited)
6. TSX:FTS (Fortis Inc.)
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