



The 5 Best TSX Stocks to Own Heading Into 2019

Description

Are you looking to own a simple portfolio of TSX stocks that will outperform in the years ahead?

If you are, I believe **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) ought to be on your list along with four other companies. Together, I'd bet my right pinky that you'll make money owning these five stocks and nothing else.

How can I be sure?

Well, I can't. There are no guarantees in life or investing.

What I do know is that a proper portfolio requires a strong foundation, and if there's a TSX stock that is foundational, it would have to be Brookfield Asset Management.

Recently, I'd [highlighted](#) this fantastic business, focusing on the many reasons why you'd want to own one of the world's largest and most successful alternative asset managers.

A big reason is the carried interest it accumulates on investments it manages on behalf of its limited partners. Sure, it gets an annual management fee, but big money is made on the bonus payments that come from effectively managing the investments it makes on behalf of its investors.

The more it grows its assets, the more carried interest it accumulates. It can become a fantastic stream of recurring revenue.

"Management believes that it can double the value of the enterprise over the next five years," **Canaccord Genuity** analyst Mark Rothchild said recently. "While we believe that management's outlook is extremely optimistic, we do acknowledge that we made the same comment five years ago, and they have exceeded those projections."

Brookfield's success has increased the amount of capital it personally invests in deals it brings to the table. Combine that fact with the ability to raise massive amounts of private investment from limited partners, and it suggests the ball of cash will only get bigger and more significant in the years to come.

If you can own only one TSX stock, I'd be hard pressed to pick a better candidate.

The other four stocks

Last October, I'd picked Brookfield, **NFI Group** ([TSX:NFI](#)), **Premium Brands Holdings** ([TSX:PBH](#)), **Tricon Capital Group** ([TSX:TCN](#)), and **Alimentation Couche-Tard** (TSX:ATD.B) as the five best stocks on the TSX.

As a group, they've had a mediocre performance, up 4.4% on average, over the past 52 weeks — 64 basis points less than the **S&P/TSX Composite Index**. So far in 2018, the five stocks are averaging a total return of -3.5% — 460 basis points worse than a very anemic TSX performance.

Of the five, only Brookfield is in the positive column, up 5.6% year to date through Oct. 2. However, I have faith in these other four to pull their weight in the years ahead.

Premium Brands is coming off three consecutive years with annual returns more than 50%. The meat and sandwich company's stock has corrected by almost 18% over the last three months, providing investors with an excellent entry point.

The serial acquirer runs a quality food company that other businesses want to sell to. That will keep CEO George Paleologou very busy over the next few years.

Premium Brands is a winner.

As for NFI Group, its stock faced a headwind due to the uncertainty surrounding the NAFTA negotiations, but now that an agreement's been reached, it seems likely that its stock will restart its climb higher. As my Fool colleague, David Jagielski [suggests](#), it is an excellent long-term buy.

Tricon Capital is the stock investors are least familiar with.

Part real estate investor, asset manager, developer, advisor, operator, it has its hands in a lot of pies; none more prominent than its Tricon American Homes subsidiary in the U.S., a big player in the single-family residential rental market. That alone will deliver significant gains down the road when it comes time to sell some of its inventory of homes.

Lastly, there is Couche-Tard, the other master serial acquirer on this list. Its stock has come to life in recent months, and that can only mean an acquisition in Asia isn't too far around the corner.

Here in North America, sellers are asking nosebleed prices for convenience stores, but I wouldn't preclude a move if the deal were right.

Long term, like the others, it's a great buy heading into 2019.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:CF (Canaccord Genuity Group Inc.)
4. TSX:NFI (NFI Group)
5. TSX:PBH (Premium Brands Holdings Corporation)
6. TSX:TCN (Tricon Residential Inc.)

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