2 Stocks That Have Rallied up to 74% in the Last Year: More to Come?

Description

After the market sell-off we have seen last week, investors are surely left feeling a little jittery and apprehensive when considering their portfolios.

But this is a good time to re-evaluate things, re-balance our portfolios, and make sure we are well positioned for the coming years.

Let's take a look here at two stocks in particular that have rallied big in the last year.

Labrador Iron Ore Royalty (TSX:LIF) has a one-year return of 40%.

Labrador Iron Ore first started ranking high on my screening list because of its valuation and strong cash flows back in 2015, when it was trading at roughly $13. And it had a dividend yield of close to 10%, so I looked into it.

The iron ore industry was not booming and iron ore prices had been decimated, with most experts saying that increasing supply would keep this commodity going lower for the foreseeable future.

But being a royalty company and given that it receives royalty from high-grade iron ore production, it seemed like a low-risk, high-quality company to gain exposure to the commodity. I mean, if growth in China were to remain strong, then iron ore would recover.

Three years and many dividend payments later, Labrador Iron Ore's stock price has more than doubled, and investors have benefited not only from its regular dividend payments, but also from special dividend payments.

The company has increased its dividend several times since then and has paid special dividends that amounted to $1.65 per share in 2017. So, all told, shareholders received dividends of $2.65 in 2017.

But today, the dividend yield on the stock is currently 3.57%, a far cry from the almost 10% dividend yield in 2015.

The iron ore industry is a very cyclical one.

With the company’s latest two quarters’ results showing increased costs, lower-than-expected production, and lower realized iron ore prices, the stock is not as attractive as it was, and I think that upside from here is more limited.

Bausch Health Companies (TSX:BHC)(NYSE:BHC)

Bausch Health stock has a one-year return of a whopping 75%, and after a very difficult last few years, things are improving nicely with the new CEO at the helm, with a focus on reducing the company’s massive debt load and regaining investor confidence.

It is one of the only healthcare stocks on the TSX, and so provides investors with exposure to this booming sector.

The company has been performing well ahead of expectations in the last year or so, and the stock clearly has momentum behind it.

The debt level remains extremely high, at $24.3 billion, but it is being worked down, and the company remains the subject of various legal investigations related to pricing and accounting, so the stock is not without risks.

But if the planned new product launches in 2019 go well, and the debt continues to be worked down, this will serve to reduce the risk inherent in this stock, and it will increase investor confidence in the company’s long-term upside potential once again.

A healthcare stock that is recovering and set to benefit from the booming healthcare industry. It’s definitely worth considering.

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2. TSX:BHC (Bausch Health Companies Inc.)
3. TSX:LIF (Labrador Iron Ore Royalty Corporation)

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