



## The TSX Index's Treasure Trove of Mid-Cap Stocks Can Bring Your TFSA to Incredible Heights

### Description

One can't help but notice that U.S.-based firms have been [scooping up](#) the undervalued opportunities that have gone unrecognized across the TSX index. First, Pure Industrial Real Estate Trust (PIRET), one of Canada's best industrial REITs, was acquired by a U.S. firm. A year later, **Solium Capital** (TSX:SUM), another promising mid-cap gem, was scooped up by **Morgan Stanley**.

I pounded the table on both companies prior to their acquisitions, highlighting that each stock was undervalued relative to the above-average magnitude of growth that could realistically be realized over the long run. Unfortunately, many Canadians who were reluctant to back up the truck on the mid-caps paved the way for the steal investments that U.S. financial firms wasted no time in picking up.

There's no question that the TSX index is littered with under-the-radar opportunities. The lower trading volumes on the TSX and lower magnitude of mainstream analyst coverage are two primary reasons why the mid-caps on the TSX are more prone to have market values that are far less than their intrinsic values. Lower volumes mean a lower degree of market efficiency, and with most global investors focusing their attention on the U.S. exchanges, a treasure trove of market-crushing opportunities is available to us Canadian investors who are willing to hunt down the gems all around us.

In a prior piece, I urged Canadian growth investors to be more willing to go with promising mid-caps, rather than go with the mainstream consensus on overcovered stocks that rarely trade at discounts to their intrinsic value. If you're willing to look, there are some wonderful steals to be had, and if retail investors like you or I can't recognize such opportunities, big financial institutions like Morgan Stanley will.

Solium Capital was a compelling SaaS king that we Fools discovered quite a while back. I called the name a TFSA millionaire-maker, and a [precious gem](#) back in November, shedding light on the massive discount that I didn't think would last long: "Solium is a hot SaaS play, and investors would be wise to grab the stock while it remains at a discount to its historical book value. The company has found its niche, and it's building a moat around it. As its cloud capabilities strengthen, I wouldn't at all be surprised to see management become more aggressive with its growth plan."

### **Foolish takeaway**

The two recent mid-cap acquisitions conducted by financial firms implies that there are steals all around us. If Canadians aren't recognizing such promising mid-cap players, I fear that international investment banks may keep all the gems for themselves, leaving Canadian investors with the fair (or overvalued) plays that seem to be more popular these days.

Solium is the latest example of a steal of a stock. While it's disappointing that the opportunity is now gone, investors should continue to keep digging for [other promising TSX mid-caps](#).

Stay hungry. Stay Foolish.

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