TFSA Investors: Up Your Returns With These Overlooked TSX Index Stocks

Description

Do you want to add some much-needed gains to your TFSA with overlooked stocks that have tons of upside?

In this article I'll be exploring three stocks that could help you do just that.

The TSX index is home to many well-known stocks in industries like cannabis, tech and clothing. However, it's often the overlooked gems that perform the best over the long run. Although not all of the stocks on this list are necessarily obscure, none of them are media darlings. At the same time, all of them have beaten the TSX average over the past five years.

We can start with one stock that has been quietly making investors wealthy for decades.

Canadian Tire Corp (TSX:CTC.A)

Canadian Tire will be familiar to most Canadians. However, its stock hasn't been getting a ton of attention in the past few years. Canadian Tire is a long-term market beater, outperforming the TSX over five and 10- year time frames. In the past year, it under performed, but with earnings rising over the past four quarters, the stock is well positioned for a comeback.

To fuel growth, the company is betting big on clothing retailers, which have been doing very well on the TSX in the past few years. It's also worth mentioning that Canadian Tire pays a dividend that yields about 3%.

Canadian Pacific Railway Ltd (TSX:CP)(NYSE:CP)

Canadian Pacific Railway is almost the definition of an old-school, out-of-fashion company. As arailway company, it brings to mind a time when gold panning and tulip hoarding were major economicactivities. But here's the thing: railways are still as lucrative as they've ever been. Despite how old theindustry is, rail is still cheaper per unit of goods shipped than trucks or airplanes.

That goes a long way in explaining Canadian Pacific's excellent fundamentals. Although the company has missed a few quarters, its revenue is growing at 17% year-over-year. The company's adjusted earnings soared 41% in its most recent quarter, while GAAP earnings slid 43%.

The GAAP earnings slide was attributable to a retroactively-applied U.S. tax law change that resulted in the company getting a major tax refund in 2017. So adjusted earnings are more reliable for the most recent quarter than GAAP.

Algonquin Power & Utilities Corp (TSX:AQN)(NYSE:AQN)

Algonquin Power & Utilities sells power in Ontario, Quebec, New York and New Hampshire. The company has been on a solid run in the markets, rising about 13% over the past 12 months. The company's solid return was driven by strong earnings growth. In its most recent quarter, Algonquin grew its revenue by 4% and net income by 35% year-over-year. For a utility company, that's truly meteoric growth.

As if that weren't enough, the stock pays a dividend that yielded about 4.7% at the time of this writing. It's hardly the most popular stock in the world, but a solid dividend play by any standard.

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