My Top 2 TSX Small-Cap Stocks to Buy in June

Description

Stocks that fly under the radar of most investors can sometimes offer unique advantages.

Because these opportunities are lesser known, stocks can at times offer superior risk-return trade-offs simply because they haven't already been capitalized on by the rest of the market.

In that respect, small-cap stocks can often present similar opportunity for above-average risk-adjusted returns.

Here are my top two small-cap TSX stock picks for June.

Intertape Polymer Group (TSX:ITP) has nearly completed the last phases of its investment cycle that saw it dedicate above-average levels of investment into new initiatives that it hopes will provide growth for years to come.

Among those initiatives were targeted investments aimed at increasing ITPs available production capacity, including a handful of acquisitions of smaller rivals and new production facilities based in India.

The reality is that meant that 2018 was mostly a year of integrating its new businesses into its operations.

The result of which was that ITPs earnings growth has been dampened in the short-term although management remains confident that in the intermediate to long-term recent results will be nothing more than an insignificant blip in time.

Meanwhile investors get the benefit of a solid 3.95% dividend yield while they wait for this story to continue to play itself out.

Sienna Senior Living Inc (TSX:SIA) isn't exactly a bargain in the traditional sense, but it's an investment I happen to like a lot because of its simplistic nature and the strong long-term drivers of growth, which should continue to serve as a tailwind at its back.

Although the company's been around since 1972, it only reached IPO status in 2010, but since then the results have been nothing short of impressive.

SIA stock has enjoyed a 241.4% total return since 2010, which equates to a 27.8% compounded annual growth rate of return (CAGR), significantly outpacing the returns of not only its immediate peers, but also the returns of the REIT sector at large as well as Canada's equity benchmark, the **TSX Index.**

Since its IPO, part of its adaptive strategy has been to diversify itself from being solely a focused long-term care (LTC) provider to that of a more diversified seniors real estate provider.

Thanks to the massive boom the Canadian real estate market has seen over the past 20 years, more seniors have more access to disposable income than what many had originally forecast.

The natural extension of this is that more seniors are now willing to spend more on their retirements than what was previously imagined, and SIA hopes to capitalize on this by building out what its calling "senior living campuses" proposed to serve as a combination of higher-end retirement-style living facilities, anchored by higher-touch long-term care facilities.

It's a strong, stable, long-term outlook for a business serving an affluent demographic that's expected to outpace the growth of the broader economy for the next twenty years or so.

And investors also get the benefit of a 4.71% annual dividend yield to wait.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:ITP (Intertape Polymer Group)
2. TSX:SIA (Sienna Senior Living Inc.)

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Date
2025/07/04
Date Created
2019/06/18
Author
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