CPP Board: These 3 Stocks Are Worthy of Canada's National Pension Plan

Description

Do you want to build a nest egg of RRSP and TFSA assets to supplement your Canadian Pension Plan (CPP) payments in old age?

If so, you could consider buying the stocks that make up the CPP investment portfolio itself.

The CPP owns a diversified portfolio of Canadian and foreign stocks that the CPP Investment Board considers to have good long-term prospects. The plan's Canadian holdings include bank, energy, and mining companies and represent a cross section of the Canadian markets. Although the portfolio is actively managed, it very closely resembles the holdings and weightings of the **S&P/TSX Composite Index**.

The CPP is managed to ensure the best possible long-term gains at the lowest possible risk. Accordingly, its portfolio can be a good one for long-term "buy-and-hold" investors to emulate. The following are just three of the many TSX stocks the CPP board considers worthy of Canada's national pension plan.

Air Canada

Air Canada (TSX:AC)(TSX:AC.B) is Canada's largest airline. Shipping passengers and cargo to 207 airports worldwide, it's a truly international company.

In the early 2000s, Air Canada was facing serious problems. Faced with a hostile takeover bid, the company took on heavy contractual obligations to make itself less desirable. As a result, it entered bankruptcy protection in 2003.

As a result of the bankruptcy and other issues like unfunded pension liabilities, AC spent most of the 2000s in a free fall.

In 2012, however, having turned its finances around, the stock began a rapid ascent, rising more than 5,000% from its lowest price in 2012 to late 2019. After years of losses, Air Canada returned to profitability and has been enjoying steady growth since then.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is the largest railway in Canada and one of the largest in North America.

With access to three coasts, CN has an economic moat in long distance rail shipping.

CN Railway is a shipping behemoth, transporting over $250 billion worth of goods per year. As a rail company, its fortunes are largely tied to economic growth; however, management aims to grow faster than the economy by getting more trains online.

This year, CN's growth is facing a setback. Between a softening economy, delayed grain shipments, and dwindling B.C. lumber supplies, the company's RTMs are falling. As a result of the slowdown, the company issued a large number of layoffs last week (the exact number is unknown but suspected to be in the thousands).

Even with the shipping slowdown, CN managed to increase EPS by about 8% last quarter, reflecting improved operating efficiency.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is North America's largest pipeline company, shipping crude and LNG all over North America.

The company's stock has a very high dividend yield of nearly 6%. Normally, yields that high call sustainability into question. However, Enbridge has consistently increased its earnings over the last four years and has been raising its dividend by about 17% a year on average.

Enbridge's stock got hit when oil prices collapsed in 2014. However, the company's actual earnings were not impacted as much as other energy companies were, as it does not depend on high oil prices to make a profit. As a result, the lower share price simply meant more yield — a fact that continues to be true to this day.

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:AC (Air Canada)
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