



TFSA Pension: 1 CPP Pension Stock to Build Your Backup Pension

Description

The Canadian public pension funds act as a stabilizing force in the country's financial system. Eight significant public pension funds are known as investors globally and domestically. The pension fund sector holds about 15% (\$1.5 trillion) of the total assets of the financial system in Canada.

The Canada Pension Plan Investment Board (CPPIB) is the largest of the Big Eight, with \$319 billion gross investment assets under management. With such a massive size due to members' contributions, the CPPIB has a longer-term investment horizon as well as diverse investment strategies.

This fund manager of the Canada Pension Plan (CPP) is unbeaten in investing counter-cyclically compared with other financial market participants. As a global investment organization, the CPPIB invests in private equities, bonds, private debt, real estate, infrastructure, and public equities.

A top holding

As of March 31, 2019, the CPPIB had 138 Canadian stocks in its portfolio. If you want to build a mini-pension of sorts, you can select any of the so-called CPP stocks. The equity holdings help the CPPIB to provide a foundation for Canadians to have financial security during retirement.

The top holding of the CPPIB is **Entertainment One**, a Canadian company that isn't trading on the TSX but the London Stock Exchange. The second-largest holding is **TORC** (TSX:TOG). You can consider this \$894 million oil and gas company as the anchor if you're planning to [build a mini-pension plan](#).

CPPIB's investment strategy is long term. When the board select investments to add to the portfolio, it looks at the assets with distinct underlying drivers of return and risk. Likewise, the board aims to generate significantly higher net long-term returns from very low-cost investments.

Since TORC is the second-largest equity holding, you can assume the stock fits the strategy of the CPPIB. Hence, this energy stock is a logical [investment choice](#).

Stock performance

TORC is currently trading at \$4.07 per share, which is almost the same price at the beginning of 2019. The stock, however, pays a dividend of 7.39%. If you have \$35,000 savings for investment, you can instantly create \$215.54 in monthly passive income.

With a long-term investment period of 25 years, and assuming the yield remains constant during the investment time frame, your money will grow to \$208,048.27, or a whopping increase of 594.4%.

The recent quarterly results as of September 30, 2019, are lacklustre given the \$522 million negative retained earnings. But TORC's cash flow remains strong with \$217 million in cash from operations.

Depressed oil prices are contributing to TORC's mediocre performance. It wouldn't be for long, though. The company is already benefiting from higher crude oil prices as a result of the curtailment in Alberta.

Supplement your CPP

Based on the forecasts of analysts, this energy stock has a potential upside of between 45% and 84% in the next 12 months. The capital gain estimate, plus the high dividend, makes TORC worthy of consideration.

As the oil industry improves, you can expect the company to capitalize on growth opportunities. Besides, as CPPIB's second-largest equity holding, it gives you the confidence to pick TORC. You can now create a mini-pension plan to augment your CPP.

CATEGORY

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2. Energy Stocks
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