Top 2 Canadian Stocks With U.S. Exposure

Description

Here's a tragic fact: the **Canadian Stock Index** returned 95% over the past decade, while a mix of Canadian federal, municipal and provincial government debt returned 94% over the same period, according to Bloomberg.

In other words, most investors could have had the same returns with lower risk by investing in Canadian bonds rather than stocks, which just goes to show just how tepid the domestic stock market is.

Unsurprisingly, the local market also routinely under-performs the one south of the border. The **S&P 500** has returned an impressive 186% over the same decade.

Could this outperformance continue in the future? I believe so. The American economy is larger, more populated, better funded and more tech-heavy than our own.

With that in mind, domestic stocks with exposure to the U.S. could be a great way to add exceptional growth potential at reasonable valuations. Here are two Canadian stocks with U.S. exposure you should consider.

Tricon Capital

Real estate investment giant **Tricon Capital Group** (TSX:TCN) manages a $10.5 billion portfolio of single and multifamily residential properties across North America.

What most investors don't know is that this Toronto-based company's assets under management are almost entirely based beyond the southern border.

According to the company's latest filing, 92% of underlying property assets are located in the U.S. The U.S. housing market has only recently crossed the price levels witnessed before the great financial crisis.

Home sales and prices are expected to increase by another 5.4% in 2020, while the national price-to-rent ratio is at 17.5, which indicates fair value overall.

Although the U.S. housing market is starting to heat up, it's not nearly as overvalued as that of the Canadian market. The price-to-rent ratio in Canada's largest cities, Toronto and Vancouver, reached 23.9 and 27.9 respectively.

A ratio above 20 indicates overvaluation. It's also no secret that the average Canadian household is over-leveraged.

If the local residential market corrects, Tricon's assets are insulated by their exposure to the U.S.

Brookfield Asset Management

Alternative investment giant **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) is one of the largest money managers in the world. Brookfield currently serves over 18,000 institutional clients across more than 30 countries.

However, most of its assets, clients and operations are based in the largest economy in the world: the U.S. More than half of the company's assets under management (53%) were based here, according to its latest quarterly filing.

The alternative asset space in the U.S. is arguably more mature than anywhere else on the planet. Meanwhile, the country remains one of the top wealth creation and migration destinations in the world.

In short, Brookfield is a proxy for U.S. wealth creation, a bet that has paid off well over the past century.

At the moment, the stock trades at 15.3 times annual earnings per share and roughly twice book value per share. That seems appropriate for a company that targets 12% to 15% annual growth with steady, recurring cash flows from management fees.

Bottom line

In 2020, the U.S. economy seems better positioned and better valued than the Canadian economy. Stocks like Tricon and Brookfield should serve as undervalued proxies for investors looking to place a bet on the world's wealthiest nation.

CATEGORY

1. Dividend Stocks

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1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:TCN (Tricon Residential Inc.)

PARTNER-FEEDS

1. Business Insider
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