Need to Double Your TFSA? Here Are 3 Ways to Do it Safely

Description

Hi, Fools. I'm back to call your attention to three attractive mid-capitalization stocks. As a reminder, I do this because mid-cap companies – those with a market cap of between $2 billion and $10 billion – have two key features:

- more upside potential than large "blue chip" companies; and
- less downside risk than speculative small-caps.

In other words, if you want to double your TFSA while limiting your downside, mid-cap stocks offer a reasonable way to do it.

Let's get to it.

Fair exchange

Leading off our list this week is **TMX Group** (TSX: X), which currently sports a market cap of $6.5 billion. Shares of the Toronto Stock Exchange operator are up about 65% over the past year.

TMX's cost efficiencies (it controls Canada's largest stock exchange), asset-light business model, and stable cash flows should continue to fuel strong price appreciation in 2020. In Q3, earnings per share increased 7% as revenue improved 2% to $196 million.

Based on that strength, management boosted the quarterly dividend 6% to $0.66 per share.

"As we look to the fourth quarter of the year and beyond," said CEO Lou Eccleston, "TMX remains focused on seeking out strategic opportunities to capitalize on emerging industry trends to better serve the evolving needs of our diverse and international client base, while delivering value to shareholders."

TMX shares offer a decent dividend yield of 2.3%.

Winning bidder

With a market cap of $6.3 billion, **Ritchie Bros Auctioneers** (TSX:RBA)(NYSE:RBA) is our next mid-cap marvel. Shares of the industrial equipment auctioneer are up 25% over the past year.

Ritchie Bros should continue to lean on its extensive customer base (over 530,000 customers), geographic reach, and network advantages to drive strong performance in 2020. In the most recent quarter, earnings increased 9% as revenue jumped 18% to $290 million.

More importantly, operating cash flow clocked in at an impressive $309 million.

“We are encouraged by improvement in the overall equipment supply, with our sales teams doing a good job of securing volume to help offset some pockets of price deflation in the quarter,” said interim-CEO Karl Werner.

Ritchie Bros. shares currently offer a dividend yield of 1.8%.

Undervalued asset

Rounding out our list this week is **CI Financial** (TSX:CIX), which sports a market cap of $5 billion. Shares of the asset manager are up about 30% over the past year.

While the stock has struggled in recent years on increasing redemptions, CI’s asset-light business model, strong cash flow generation, and reputable brand should continue to support a rebound. In the most recent quarter, management repurchased $150 million worth of shares even as revenue declined 7%.

“While we experienced redemptions in the third quarter, we have seen a considerable improvement in our net flows on both a quarter-over-quarter and year-over-year basis,” said CEO Kurt MacAlpine. “CI continues to produce high levels of free cash flow, which we are allocating in a prudent manner.”

CI currently offers a healthy dividend yield of 3.1%.

The bottom line

There you have it, Fools: three attractive mid-cap stocks worth checking out.

As always, they aren’t formal recommendations. View them, instead, as a jumping off point for further research. Even the best mid-cap stocks can face serious trouble from time to time, so plenty of due diligence is still required.

Fool on.

CATEGORY

1. Investing

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1. NYSE:RBA (Ritchie Bros. Auctioneers)
2. TSX:CIX (CI Financial)
3. TSX:RBA (Ritchie Bros. Auctioneers)
4. TSX:X (TMX Group)

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