TFSA Investor Top Stocks for February

Description

It’s always important to keep a long-term mindset, especially when investing with a Tax-Free Savings Account (TFSA). But that doesn’t mean you shouldn’t pay attention to short-term movements. Sometimes, great stocks go on sale temporarily, and only those ready to pounce will capitalize.

This month, several iconic Canadian stocks are trading at historically low valuations. The respective management teams, however, believe their best days are still ahead.

Those with a TFSA are in a prime position to profit, whether through tax-free capital gains or tax-free dividends.

Too cheap to ignore

Canada Goose Holdings Inc (TSX:GOOS)(NYSE:GOOS) is one of the highest quality stocks in Canada. Its long and respected heritage is difficult to replicate.

More than 5% of all Canadians are believed to own a Canada Goose jacket, the vast majority of whom plan on buying *another* Canada Goose jacket for their next purchase. Even the first Canadian to summit Mount Everest was wearing a Canada Goose jacket.

With an unparalleled reputation for quality, the company has profit margins that exceed nearly every competitor, sometimes by the double digits. Revenue and profit growth have also been in the double digits for more than five years straight.

China, the largest luxury market in the world, remains a lucrative opportunity. Long term, more than half of all sales could stem from China, compared to a current figure of less than one-fifth.

The coronavirus, which is expected to punish Chinese retail sales, has taken a heavy hit on the stock, pushing the valuation down to just 25.5 times forward earnings. That’s crazy for a company that grew EPS by 40% last year. Once Chinese fears settle, expect GOOS shares to rebound strongly.

Double your bet

Encana Corp (TSX:ECA)(NYSE:ECA) shares are cheap — or at least that's what company executives believe. Last year, the company began a $1.25 billion share repurchase program.

Encana has a market cap of just $5.6 billion. This is a *huge* buyback, staking the entire company's future on a bet that shares are dramatically underpriced.

"We see compelling value in Encana's stock today," noted CEO Douglas Suttles. "In fact, we strongly believe that buying our own equity is an incredible value."

Shares have continued lower this month, but after the company re-domiciles to the U.S., *billions* in new capital may flow into the company as it gets included in U.S. indexes.

The move should take effect in the coming days, making February a make-or-break month for the stock. If you want to join the bet, now is the time to do so.

Generate real cash

Rogers Sugar Inc (TSX:RSI) recently revealed that its sugar crop had failed, sending shares down more than 15%. The dividend yield, in turn, hit 7.5%. This is a classic example of capitalizing on short-term pain for long-term gain.

In recent years, Rogers has invested in new value-add products like maple syrup. These profits should help offset some of the financial pain of a failed crop.

Notably, a failed crop doesn't mean that the company has incurred long-term damage. In fact, once the next few quarters roll off, Rogers should be back to business as usual.

If you're willing to hold through a difficult 2020, you can lock-in an impressive 7.5% dividend yield, one that should remain sustainable for years to come. With a TFSA, those cash dividends are completely tax free.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)
3. TSX:RSI (Rogers Sugar Inc.)

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