TFSA Investors: 5 Large-Cap Canadian Stocks to Allocate $69,500

Description

The maximum contribution limit for the Tax-Free Savings Account (TFSA) stands at $69,500 in 2020. So, given the number of investment options available, how do you allocate your funds? The markets are trading at all-time highs and it will be prudent to invest in large-cap dividend-paying stocks to create long-term shareholder wealth.

Here are five such companies for your TFSA.

The Royal Bank of Canada

The **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is a domestic giant with a market cap of $155 billion. The stock has gained close to 40% in the last five years.

With a forward price-to-earnings ratio of 11, RBC continues to trade at a cheap multiple. Analysts expect earnings to rise by an annual rate of over 5% in the next five years.

RBC has a forward dividend yield of 3.9% with a payout ratio of 46.5%. It can easily increase these payouts going forward. RBC is the 11th largest bank in the world and a safe haven to park your funds given the company's international reach, diversified exposure, and historical performance.

Enbridge

Shares of **Enbridge** (TSX:ENB)(NYSE:ENB) have been volatile in the past few years. The stock has returned -13% in the last five years, but has gained close to 21% in the last year.

The weakness in Canada's energy sector and falling oil prices have contributed to a less than impressive performance for Enbridge stock since 2015.

Enbridge's expansion projects include its Line 3 replacement program in North America, which will result in revenue of $20 billion in the next two years. Investors are also optimistic about the company's growing cash flows, which can be used to increase dividend payments.

Enbridge has a market cap of $116 billion and an enterprise value of $194 billion. The stock is trading at a forward price to earnings multiple of 21.5, which can be considered expensive.

However, with earnings estimated to grow by 6.2% in the next five years and a forward yield of 5.7%, Enbridge stock is a solid long-term pick.

Canadian National Railway

Shares of **Canadian National Railway** (TSX:CNR)(NYSE:CNI) have returned 42.5% in the last five years and are up 16% in the last 12-months. CN is a critical part of the Canadian economy and a transportation lifeline for the country.

It has a network of 20,000 route lines across North America and transports goods worth $250 billion annually. With a market cap of $89 billion and an enterprise value of $103.4 billion, CN is another solid large-cap stock on which to place your bet.

The company's vast network provides CN with a distinct competitive advantage. It spent around $4 billion in 2019 on network upgrades and purchasing additional cars and locomotives.

CN has doubled its sales in the last decade, returning 80% of net income to shareholders in 2019. The stock is trading at a forward yield of 1.85%, and with a payout ratio of 37%, Canadian National Railway is likely to increase dividend payments in 2020 and beyond.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) is probably the riskiest pick in this list. However, with high risk comes high returns. Shopify shares have returned over 2500% since its IPO in 2015. It is one of the fastest-growing stocks in Canada and up 179% in the last year.

Shopify has a market cap of $81.9 billion, and its stellar top-line expansion has meant the stock is trading at a premium valuation. Shopify stock has a market cap to sales ratio of 29 and a forward price-to-earnings multiple of an astonishing 432.

Similar to other growth stocks, Shopify will be vulnerable in a sell-off, but it also presents investors an opportunity to buy the stock at a lower valuation.

Barrick Gold

If you think the stock market might crash, increasing exposure to **Barrick Gold** (TSX:ABX)(NYSE:GOLD) is a safe hedge. In case a recession hits stock markets, the prices for gold are likely to shoot up.

In 2019, Barrick produced 5.47 million ounces of gold and generated sales of USD $9.72 billion.Barrick has returned 52% in the last five years and is up 38% in the last year.

Barrick has forecast annual production between 4.8 million and 5.2 million ounces in the next five years.

It is also considering an expansion of copper holdings as the shift to renewable energy is likely to boost demand. Copper is a key ingredient in solar panels and wind farms.

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2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:SHOP (Shopify Inc.)
6. TSX:ABX (Barrick Mining)
7. TSX:CNR (Canadian National Railway Company)
8. TSX:ENB (Enbridge Inc.)
9. TSX:RY (Royal Bank of Canada)
10. TSX:SHOP (Shopify Inc.)

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