



The Smartest Folks on Wall Street Are Buying These TSX Stocks: Should You Follow?

Description

The **TSX Index**, on its own, is a terrible investment for many reasons. It's overweight energy and financials, which are two sectors that have been obliterated by the COVID-19 crisis. And it's also light on high-growth tech, which has been among the most resilient amid this socio-economic nightmare that continues to plague the world economy to this day.

Just because Canadian index funds aren't great investments does not mean Canada isn't a fantastic place to invest. You've just got to pick your spots carefully, because buried beneath the out-of-favour energy, materials, and financials are quality growth names at absurdly low valuations.

Given the discrepancy between COVID-hit and [COVID-resilient](#) stocks, this pandemic is a polarized mix of extremely overvalued, overbought winners and severely undervalued, underbought gems that could lead [the next leg of this market rally](#).

Follow the smartest folks on Wall Street

Some of the smartest folks are backing up the truck on stocks in the COVID-hit camp. In Canada, the Oracle of Omaha has been scooping up shares of battered energy kingpin **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) amid its slide, while billionaire activist investor Bill Ackman, a man who we used to call "Baby Buffett," continues to add to his stake in **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)).

There's the smart money, and then there's genius money. Warren Buffett and Bill Ackman are in the latter camp. Both Suncor and Restaurant Brands are in the doghouse right now, having felt the pressure from the COVID-19 crisis. However, I don't think they'll remain depressed for very long, especially if we're due for the timely advent of a safe and effective COVID-19 vaccine.

Suncor Energy

Suncor Energy may be one of the most resilient energy players out there, but, as I've mentioned in prior pieces, it's still one of the better players on a team (or sector) that otherwise stinks. With oil prices on the retreat as a result of sluggish demand from the COVID-19 crisis, Suncor has had to bring out the cuts, both to capacity and its dividend.

The company undoubtedly lost some fans with its "prudent" decision to slash its dividend by 55%. However, there's a reason why Warren Buffett continues to have faith in the company and why it's still his preferred way to play the Canadian oil patch. Suncor has a rock-solid balance sheet, a plethora of landlocked assets that'll one day shine again (if ever Canadian crude can recover from over half a decade of turmoil), and, most importantly, the stock trades at an absurdly cheap valuation.

The freshly cut dividend yields nearly 5% and is well covered, unlike the dividends of most of its peers in the space. While the stock is experiencing negative momentum, I'd be inclined to go against the grain here now that shares trade at a near 30% discount to book value.

Restaurant Brands

Restaurant Brands is a fast-food kingpin that owns some compelling brands in an industry that tends to collect relatively high operating margins. With a capital-light business model, Restaurant Brands is not only able to weather the COVID-19 storm should it worsen, but it's also able to quickly switch gears back into full-on growth mode once COVID-19 is eliminated and this pandemic officially ends.

The stock itself looks severely undervalued relative to its long-term, high-ROIC growth potential. But the intangible value of its powerful quick-serve banners, I believe, has still yet to be factored into the valuation of shares.

As we move deeper into the COVID-induced recession, Restaurant Brands is poised to become a massive winner, as fans flock back into dining rooms for a taste of new innovative menu offerings, including alt-meat burgers like the Impossible Whopper and the legendary Popeyes chicken sandwich, which will probably sell out once again.

Bill Ackman loves shares of the fast-food kingpin for a reason. They're tremendously undervalued, with a high chance of correcting to the upside within the next year amid a further economic reopening.

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TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:SU (Suncor Energy Inc.)

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