TFSA Investors: Where to Invest $69,500 This Year

Description

The Canadian stock market has been weak in the last few weeks, as the tech sector has turned lower. This again brings long-term investors an opportunity to add high-quality, undervalued **TSX** stocks to their portfolios. Let's take a look at two such long-term outperformers. If Tax-Free Savings Account (TFSA) investors have some contribution room left, they can consider adding these stocks.

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Intact Financial: One of the country's top insurance providers

Insurance companies were some of the hardest hit during the pandemic, but very few have managed to arise stronger amid the crisis. The $20 billion property and casualty insurance provider **Intact Financial** (TSX:IFC) is one of them.

Intact Financial has the highest 17% market share in the property and casualty insurance space in Canada. It has sported a consistent revenue and earnings growth for the last several years. Its top line has swelled by nearly 10% in the last five years, while its net income rose by 3% compounded annually. The insurance industry is normally a slow-growing one, and Intact's numbers outperform industry trends.

Intact stock offers a dividend yield of 2.4%. Though not superior compared to broader markets, it looks attractive from the total-return perspective. Notably, the insurance provider has managed to raise its dividends every year since 2005.

Intact Financial stock has returned more than 300% in the last 10 years, remarkably outperforming the **TSX Index**. The company looks strong from the long-term investment proposition, given its leading market share and financial performance.

BRP: A powersports vehicles titan

The powersports vehicle manufacturer **BRP** (TSX:DOO)(NASDAQ:DOOO) stock has lost almost 10% this month. It was one of the top gainers in the subsequent rally amid the pandemic, gaining more than

300%.

The $6 billion company BRP works in more than 120 countries. It earns 54% of its revenues from the U.S., while 30% comes from global operations, and the rest comes from Canada.

Retail growth in the powersports vehicles, which includes snowmobiles, watercraft, and all-terrain vehicles, saw notable demand growth during the second quarter. The company management has given earnings guidance of $3.80 per share for its fiscal 2021. That represents flattish growth compared to the previous fiscal year but does not look as bad as once seemed.

The second wave of the virus outbreak could reverse the recovery achieved in the last couple of months. It might further dent consumer discretionary spending and could delay BRP’s recovery. However, BRP has a leading market share in watercraft and snowmobiles. It has regularly outpaced the North American powersports retail growth in the last four years.

Interestingly, after recent weakness, BRP stock looks attractively valued based on the guidance given. The stock might trade volatile in the short to medium term on the back of the pandemic. However, the stock should rally in the long term post-pandemic.

Both these stocks look attractive from the total-return perspective. BRP is not currently paying dividends, but the company should start shareholder payouts again as things improve. TFSA investors can consider these stocks, mainly due to their attractive growth potential and dividends. The total returns generated withing the TFSA will be tax-free throughout the holding period and even at withdrawal.

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TICKERS GLOBAL

1. NASDAQ:DOOO (BRP Inc.)
2. TSX:DOO (BRP Inc.)
3. TSX:IFC (Intact Financial Corporation)

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