CRA: 3 Stocks the Government Invests in

Description

The Canada Revenue Agency (CRA) collects billions of dollars every year from over 20 million working Canadians to save for their retirement. The Canada Pension Plan, or CPP, is one of the world's most robust and well-funded pension schemes. However, the fund's resilience and funding is driven by clever investments.

The CPP Investment Board has assets spread across the globe and unique sectors. The fund owns a stake in an Indian mall chain, a British port operator and Mexican toll roads. The portfolio is fascinating and well diversified.

Here are the top three Canadian stocks in the CPPIB portfolio:

CRA stock one

Montreal-based consulting firm **WSP Global** (TSX:WSP) helps government agencies and private firms across the world manage infrastructure projects. The company has been around since 1959 and is now worth over $10 billion.

The CPPIB owns roughly 19% of the firm, a stake that was purchased for $556 million in 2011 and is now worth $1.9 billion. The stock price has compounded at a rate of 16.3% over the past decade. Over those years, CPPIB has also collected some lucrative dividends. WSP pays a 1.6% dividend right now.

The stock is trading at 42 times earnings per share and 9.5 times leverage-adjusted cash flow per share. Put simply, it's an undervalued growth stock with great cash flows and the government's vote of confidence. Consider taking a closer look.

CRA stock two

Another stock in the CCPIB portfolio is one you've probably heard of already: **Enbridge** (TSX:ENB)(NYSE:ENB). It shouldn't come as a surprise that the CRA's pension plan is invested in Canada's most economically valuable sector: energy.

Enbridge, however, stands out as one of the best in this sector. The company isn't a typical oil and gas producer but a pipeline infrastructure provider, which fits in well with CPPIB's core competency. Pipelines are capital intensive to deploy and maintain, but they guarantee robust cash flow for several years once completed.

That robust stream of cash flows has made Enbridge one of the best dividend stocks on the market. The stock currently offers an impressive 7.8% dividend yield. It's also deeply undervalued and trading at a price-to-book value ratio of just 1.45. Keep this on your radar if you're looking for a all-Canadian dividend bet.

CRA stock three

Specialty food manufacturer **Premium Brands Holdings** (TSX:PBH) is another stock on the CRA's CPP portfolio. CPPIB invested $235 million in Premium Brands last year and currently owns about 8% of its outstanding shares.

The company distributes niche food items to restaurants and grocery chains. Its brand portfolio includes Audrey's, Conte Foods, Deli Chef, Freybe, Expresco, Ready Seafood, among others. Roughly 40% of income is generated in the U.S., while the rest is generated locally.

Premium's selection of niche brands creates customer loyalty, which, in turn, enhances its cash flows. The company has managed to bump up dividends consistently for several years, making it a Dividend Aristocrat. At the moment, however, the dividend yield is just 2.4%.

Nevertheless, this seems like a sturdy safe stock that deserves a spot on your portfolio if you're trying to be conservative with your investments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:PBH (Premium Brands Holdings Corporation)
4. TSX:WSP (WSP Global)

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