4 Top TSX Stocks to Buy for the Rest of 2021

Description

It's been a rocky ride in the first quarter or so of 2021. For those looking to outperform for the rest of the year, it can pay dividends to put your contrarian hat on by buying top TSX stocks that everybody else may be sleeping on.

The first quarter saw a vicious growth-to-value rotation triggered by an uptick in the 10-year note yield. I think more of the same can be expected and would encourage investors to curb their risk appetite and insist on wide margins of safety for above-average results going into what could be a volatile rest of the year.

Hydro One

I view **Hydro One** (TSX:H) as an insurance policy for when the markets really get turbulent. With a virtual monopoly over Ontario's transmission lines, the TSX stock has some of the highest barriers to entry out there protecting its share of economic profits. In the case of Hydro One, virtual monopolies are both a blessing and a curse — a curse in that it's tough for Hydro One to grow, since it can't just jack up the price on its services.

In any case, I view the stock as an undervalued play in an expensive market. The wildly profitable company will be raking in stable cash flows and is less likely to move alongside the broader markets. If you think bond yields could pressure growth again, Hydro One is one of the better places to play defence. The stock trades at 10.2 times earnings, with a juicy 3.4% yield. That's a low price to pay for such a handsome, high-quality dividend!

Algonquin Power & Utilities

Who says you need to pay a nosebleed valuation to get in on the renewable energy trend? **Algonquin Power** (TSX:AQN)(NYSE:AQN) is a cheaper way to play renewable energy. It's a dividend-growth superstar in the making, and its depressed valuation, I believe, makes **Tesla** stock look like a bubble. The stock is fresh off a correction and is a must-buy for long-term investors who want the best of both worlds: growth and a handsome, growing dividend.

The TSX stock trades at a modest 11.7 times earnings, with a 3.9% yield. The company took a hit amid the pandemic but is in great shape to continue growing, with numerous projects in its pipeline. If you seek more yield at a lower price, Algonquin is one of the better horses to bet on amid its temporary moment of weakness.

Alimentation Couche-Tard

Couche-Tard (TSX:ATD.B) is a convenience retailer that has been losing the faith of its shareholders of late. The company failed to acquire Carrefour recently, and the ordeal caused shares to correct swiftly, despite no deal being made. Undoubtedly, investors hate Couche's acquisition strategy pivot. They don't get or want the firm to acquire a grocer, likely because margins are thin.

Convenience retailers command decent margins, so getting into a grocer is a good way to shave margins down to the bone. As EVs (electric vehicles) rise in popularity, Couche needs to adapt. That means giving people more of a reason to go to its stores. Gas stations will become a thing of the past, but convenience stores will continue surging in popularity.

The key to Couche's long-term success will be in fresh food and other grocery items in its stores. Once Couche buys a grocery giant's supply chain, it'll be well on its way to the top. For a glimpse of Couche's c-stores of the future, look no further than its retail innovation lab at McGill University.

Couche is misunderstood and undervalued at just 13.6 times earnings. I think it'll rocket much higher in late 2021, as investors warm up to the firm's pivot and fuel sales recovery, although it is worth noting that fuel margins could remain under pressure over the intermediate term.

Restaurant Brands

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is the ultimate reopening play, and I think its stock could surge over 30% by year's end as the economy inches closer towards normalcy.

The firm behind Tim Hortons, Popeyes, and Burger King, is slated to benefit from dining room reopenings, but that's not the only reason to own the TSX stock. Management is modernizing its drive-thru infrastructure in a big way — an effort that will pay dividends for years to come.

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5. TSX:QSR (Restaurant Brands International Inc.)

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