



## Want Higher Returns in 2021? Buy Top 2 Oil Sands Producers

### Description

The TSX's energy sector is on a roll in 2021, as prices and [demand for crude continue to trend higher](#). A big lift is a report that showed Canada's top five pension funds increased their investments in oil sands companies in Q1 2021. Their cumulative investments rose to US\$2.1 billion.

Two of the beneficiaries are **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Imperial Oil** ([TSX:IMO](#))([NYSE:IMO](#)). You can take new positions or add them to your existing investment portfolios. These energy stocks are well positioned to deliver [higher returns](#) with generous support from pension fund managers.

### Hands-down choice

Canadian Natural Resources is a hands-down choice, because of its 21 consecutive years of dividend increase record. The \$54.74 billion company operates in mature and low-risk basins and owns vast infrastructure assets. Its oil sands assets are among North America's best on top of the right mix (oil sands, natural gas, light crude oil, and heavy crude oil).

The company also engages in transporting heavy crude oil to international markets through its midstream assets — crude oil pipeline systems and cogeneration plants. In Q1 2021 (quarter ended March 31, 2021), the company reported \$1.37 billion net income versus the \$1.28 billion net loss in Q1 2020.

Moreover, CNR achieved a record quarterly production of approximately 1,246 MBOE/d and record quarterly liquids production of over 979,000 bbl/d. According to its president and CEO Tim Mackay, expect CNR to generate significant cash flow in 2021 due to the improving commodity pricing and top-tier execution of its capital program.

CNR is a part of the recently formed alliance of oil sands producers. The group will work together to achieve net-zero greenhouse gas (GHG) emissions from oil sands operations by 2050.

The energy stock outperforms in the stock market year to date (+52.86%). At \$46.20 per share, the

dividend offer is 4.13%. The trailing one-year price return is 93.39%, and market analysts forecast a potential climb to \$61 (+32%) in the next 12 months.

## Turnaround is here

Imperial Oil is another top performer this year with its 74.99% year-to-date gain. The energy stock trades at \$34.21 per share and pays a decent 2.15% dividend. Like CNR, this \$25.15 billion oil sands producer is a reliable income provider. Furthermore, Imperial Oil is a dividend king for paying constant dividends since the 1880s.

Today, Imperial Oil is a subsidiary of American oil giant **Exxon Mobil**. It also belongs to the Oil Sands Pathways to Net Zero alliance with Canadian Natural Resources, **Suncor Energy**, **Cenovus Energy**, and **MEG Energy**. The group operates nearly 90% of oil sands production in Canada.

Imperial Oil's turnaround is at hand, given the Q1 2020 (quarter ended March 31, 2021) financial results. The company reported a net income of \$392 million versus the \$188 million net loss in Q1 2020. Meanwhile, the top line grew by \$1.1 billion compared to a year ago.

A new development is the plan of Exxon Mobil to form ExxonMobil Low Carbon Solutions. The company will commercialize technologies to include Carbon Capture, Usage, and Storage. Imperial Oil will have access to Exxon's expertise.

## Easier decision

The decision of the largest pension fund managers to increase investments in oil sands producers narrows down the investment choices. It gives you the confidence to pick up CNQ and IMO if you know that the Canada Pension Plan Investment Board is also an investor.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:IMO (Imperial Oil Limited)

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