



TSX: 2 Canadian Stocks That Could Surge in 2021's 2nd Half

Description

It's been a [great](#) first half for investors, but unless you're overweight tech and growth stocks, you probably may not have noticed the rotations and reverse rotations that have gone on behind the scenes. Despite the smooth trajectory of the broader indices, the rotations endured over the past several months have been quite vicious and, for many performance-chasing investors, unforgiving.

Ultimately, the trajectory of rates will dictate where high-growth TSX stocks will be headed from here. Although the coast looks clear heading into the second half of 2021, investors must be humble and acknowledge the considerable uncertainties that still exist.

In [Warren Buffett's](#) latest interview, the man sat down, remarking on the unpredictability amid the pandemic, and it's not over yet. For now, the summer will seem pretty normal. The province of Alberta lifted the remainder of its restrictions on Canada Day, and other provinces are likely to follow suit. As coronavirus cases abate, many reopening stocks could be in a spot to make up for lost time. Still, investors must not think we're out of the woods yet with this pandemic by going after the more aggressive reopening plays, as variants like "delta plus" could have us under lockdown by autumn.

As a result of continued unpredictability relating to monetary policy and COVID-19 variants of concern, I still think Canadian investors would be wise to maintain a balanced "barbell" portfolio, with a heavier weighting on unloved TSX stocks that have a massive reopening runway, but are durable enough to withstand potential reopening rollbacks that could strike by year's end.

Two beaten-down TSX plays that fill the bill are **A&W Royalty Income Fund** ([TSX:AW.UN](#)) and **SmartCentres REIT** ([TSX:SRU.UN](#)). Both securities aren't technically stocks, but they look undervalued, with a compelling risk/reward profile heading into July.

A&W

Have you ever wanted to own a piece of your favourite Canadian fast-food joint or wondered where franchisee-paid royalties go to? If so, A&W is a compelling pick, as dining rooms open up with full capacity in a hopefully sustained return to normal.

Shares currently yield a bountiful 4.3%. And although things could get rocky if a fourth major wave of COVID-19 were to strike and bring forth lockdowns, I think A&W is better positioned to adapt this time around. Fellow Fool contributor Kay Ng certainly seems to think the risk/reward scenario is looking good here, noting that normalized cash distributions imply a forward yield of around 5%.

As usual, Kay is [right on the money](#). A&W is a prudent pick at these valuations.

SmartCentres REIT

SmartCentres REIT is a strip mall REIT that took a major hit during the 2020 stock market crash. Because of its **Walmart** anchor, though, the REIT fared far better than most feared. Walmart is just one of many robust (and essential) retailers that will continue to pay rent as per normal come the next lockdown, making it a safe play for income investors who don't want to risk their shirts if worse comes to worst with this pandemic.

The REIT boasts a 6.3% yield that's well covered by funds from operations. With Canada leading the vaccine charge, I think Smart is one of the smartest domestic reopening plays out there, while it's still off modestly from its pre-pandemic highs.

Bottom line

Nobody knows if the pandemic will end next year and how many waves we'll have to get through. That's why I'm an advocate of reaching for reopening stocks that are less dependent on the elimination of COVID-19, like many aggressive reopening plays, such as airlines.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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