



3 TSX Composite Index Additions That Should Be on Your Radar

Description

The S&P and Dow Jones both have specific requirements that dictate which companies can be on which indices. These requirements are also different from exchange to exchange (for example, they would be different for the TSX compared to NYSE).

One requirement of the S&P/TSX composite index is that all companies represent at least 0.05% of the index (by weight). As the market capitalization of a company falls from this threshold, it's removed from the index. Similarly, when companies grow to the requisite size, they are added to the index. About eight companies are being added to the index this September, and you should keep an eye on three of them.

An energy company

Birchcliff Energy ([TSX:BIR](#)) is a Calgary-based energy company that has been growing at a robust pace for the last 12 months. The stock has grown over 329% last year, and the market capitalization is now at \$1.6 billion. This rapid rise has pushed the dividend yield of the company down to 0.33%, but despite the rapid growth, the valuation is still quite fair.

Birchcliff explores, develops, and produces different fossil fuels, and it has a particular focus on natural gas. This is a relatively smart approach, because of all the fossil fuels, natural gas is likely to stay relevant the longest and is expected to see the least market resistances and sanctions when it comes to the environment. This also means that Birchcliff might keep riding the current growth momentum for a relatively long time.

An aerospace company

After divesting from its train-manufacturing business, which was weighing the company down, **Bombardier** ([TSX:BBD.B](#)) has now become a bit more attractive to investors. It's one of the elements contributing to its recent growth momentum, which has resulted in 80% growth in the last 12 months. The market capitalization of the company has now reached \$4.65 billion.

Right now, [Bombardier](#) is a pure-play business jet manufacturer. It has an impressive global presence (12 countries) and offers services for about 4,900 aircraft around the globe. The financials are also recovering. And as airline business takes off and completes its organic recovery, Bombardier might see its stock rising to new heights.

A restaurant group

MTY Food Group ([TSX:MTY](#)), with its market capitalization of \$1.68 billion, is also ready to join the S&P/TSX index. [The company](#) has also done a decent bit of growth last year and grew about 77% over the previous 12 months. It also offers a modest 1% yield and is currently available at a modestly high price, indicating there is further room for growth.

As one of the largest franchisers of food businesses in the country, it has been operating for about three-and-a-half decades. If we combine all the brands under its umbrella, the company has access to nearly 7,000 locations around the globe. The range of brands under its umbrella is extensive and includes a broad spectrum of food businesses.

Foolish takeaway

The companies currently riding the recovery momentum will get off this “train” sooner or later. If you are buying these stocks for the long term, it might not matter much. Still, if you want to leverage short-term growth the companies are offering, you should consider buying as soon as possible, because when the [bull market](#) dies down, the stocks might normalize a bit before resuming their usual growth/fluctuation.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)
2. TSX:BIR (Birchcliff Energy Ltd.)
3. TSX:MTY (MTY Food Group)

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