TFSA: 2 Savvy Stocks to Buy in February 2023

Description

The Tax-Free Savings Account (TFSA) is such an excellent tool for saving and investing *tax-free* that every eligible Canadian should be using it. In fact, you should maximize your TFSA contributions every year if you can.

You don't necessarily have to take excessive risk. Instead, you might want to target investments that have a high chance of making you wealthier over time. Aim for the best risk-adjusted returns by focusing on quality stocks.

Here are a couple of savvy stocks you can consider buying this month.

A dividend stock trading in value territory

Premium Brands Holdings (TSX:PBH) stock declined approximately 22% in the last 12 months. However, it has already recovered roughly 20% from the bottom, which means investors like the company. There's good reason for that. The stock delivered total returns of about 21% annually over the last decade.

Moreover, the company is a rare find on the TSX, as it is an uncommon consumer staples stock that pays a good dividend yielding almost 3%. Specifically, Premium Brands is in the packaged foods industry. It owns a wide range of specialty food manufacturing and food distribution businesses in North America.

In its third-quarter (Q3) press release, the PBH CEO stated the company was "well positioned to achieve its 2023 sales and adjusted EBITDA targets of $6 billion and $600 million, respectively."

The dividend stock has raised its dividend every year for about a decade with a 10-year dividend growth rate of 9.1%. At $96.99 per share, analysts believe the undervalued stock trades at a discount of about 15%.

Notably, its return on equity (ROE) declined from 2018's 14.8% to 6.3% in 2020 amid the pandemic.

Since then, its ROE has recovered to about 9.8%. For investors interested in buying the stock for their TFSAs, the company should be releasing its Q4 earnings within the next month, which should shed light on its outlook.

A savvy stock for your TFSA

Brookfield Infrastructure Partners L.P. (TSX:BIP.UN) is another savvy stock that can be worth your precious TFSA dollars this month. Noteworthy, the dividend stock is down about 10% in the last 12 months.

The business is easy enough to understand. It owns a globally diversified, quality portfolio of long-life infrastructure assets across different sectors. Specifically, it has about 65,500 km of electricity distribution and transmission lines, 32,300 km of rail operations, 15,000 km of natural gas transmission pipelines, 165,700 operational telecom towers and active rooftop sites, and much more. Its cash flows are sustainable as they're largely regulated or contracted, as well as indexed to inflation.

In the last 10 years, the dividend stock has delivered total returns of 16.8% annually. This is superb results for a utility! Currently, at $45.59 per share at writing, it yields 4.5% and targets to increase its payout by 5–9% per year. For example, in 2022, it increased its funds from operations (FFO) per unit by 12%. Subsequently, it made a healthy cash distribution increase of 6% this month with FFO left over to help fund growth.

Investing takeaway

If you're out of ideas for your TFSA, look into Premium Brands and Brookfield Infrastructure Partners this month. By investing the same dollar amount, investors get an initial average dividend yield of about 3.7% and blended dividend growth of about 8% annually over the next five years.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
2. TSX:PBH (Premium Brands Holdings Corporation)

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