

# Canada Core Pick List

## May 2025

The Canadian Core Buy list underperformed the S&P/TSX 60 Index during the month of April, posting a total return of negative 2.4% compared with the benchmark's return of 0.1%. The top performers were **Bombardier BBD.B** and **Nutrien NTR**, with total returns of 12.5% and 11.3%, respectively. The weakest performers were **Bausch & Lomb BLCO**, which posted a total return of negative 26.9%, and **Restaurant Brands International QSR**, which posted a total return of negative 7.4%. The Core Buy list maintains its cumulative outperformance against the benchmark, with a total return

since inception of 537.1% versus 383.1% for the benchmark S&P/TSX, a difference of 154 percentage points.

For May's Pick list, our model recommended **Canadian National Railway CNR** be added to the Buy list from the Hold list. It replaced **Bank of Nova Scotia BNS**, which moved to the Hold list from the Buy list.

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**The Morningstar Canada Core Pick List Strategy**  
The Morningstar Canada Core Pick List features our most attractively valued names among larger Canadian companies with sustainable competitive advantages (what we refer to as "economic moats"). These best ideas are further refined into a Consider Buy and a Consider Hold list.

### Canada Core Picks

Company	Ticker	Sector	Morningstar Rating	Current Price (CAD)	Fair Value (CAD)	Economic Moat™	Uncertainty Rating	Market Cap (CAD Mil)	Dividend Yield (%)
<b>Consider Buying</b>									
Rogers Communications	RCI.B	Communication Services	★★★★★	35.94	66	Narrow	Low	19,562.43	5.63
BCE	BCE	Communication Services	★★★★★	30.64	45	Narrow	Low	27,940.50	13.16
Telus	T	Communication Services	★★★★★	21.22	29	Narrow	Low	31,782.21	7.67
Bausch & Lomb	BLCO	Healthcare	★★★★	15.25	28	Narrow	High	6,712.19	0
Restaurant Brands International	QSR	Consumer Cyclical	★★★★	88.83	109	Narrow	Medium	28,947.27	3.95
Nutrien	NTR	Basic Materials	★★★★	78.70	99	Narrow	High	38,410.35	3.91
Bombardier	BBD.B	Industrials	★★★★	91.12	113	Narrow	High	9,146.57	0
↑ Canadian National Railway	CNR	Industrials	★★★	133.51	151	Wide	Medium	83,716.43	2.66
<b>Consider Holding</b>									
Bank of Montreal	BMO	Financial Services	★★★★	132.09	146	Narrow	Medium	95,932.01	4.82
↓ Bank of Nova Scotia	BNS	Financial Services	★★★★	68.98	76	Narrow	Medium	85,356.31	6.19
The Toronto-Dominion Bank	TD	Financial Services	★★★	88.09	93	Wide	Medium	153,388.67	4.8
<b>Consider Selling</b>									
Enbridge	ENB	Energy	★★	64.47	56	Narrow	Medium	140,601.38	5.84

All prices as of April 30, 2025 | ↑ = Upgrade, ↓ = Downgrade, ★ = New Addition

### Economic Moat

Morningstar’s proprietary measure of the quantifiable, sustainable competitive advantage a company enjoys. All things held equal, we would expect a wide-moat firm to sustain relatively high returns on invested capital for longer than a narrow-moat firm and a narrow-moat firm to sustain relatively high returns on invested capital for longer than a no-moat company.

### Uncertainty Rating

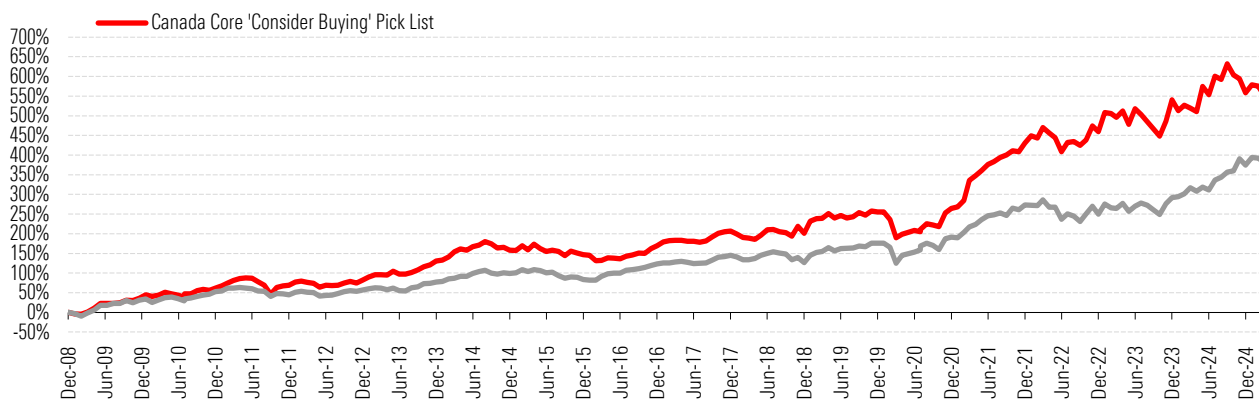
Morningstar’s proprietary measure of the degree to which the economic value of a company is uncertain. Three factors go into the uncertainty rating: revenue variability, operational leverage, and financial leverage. The greater each of these measures, the greater the difficulty in bounding the ranges of a fair value for the firm.

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Performance vs. S&P/TSX 60 (%)	This Month	Trailing 12 Months	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Since Inception
Core Cons. Buying List	-2.35	4.32	44.46	12.04	4.16	7.78	26.74	12.04	-4.19	8.95	13.81	-1.87	18.22	2.36	45.73	5.52	14.42	2.87	537.06
S&P/TSX 60	0.10	18.50	33.93	13.89	-4.92	8.06	13.25	12.27	-7.76	21.36	9.78	-7.58	21.94	5.56	28.05	-6.25	12.05	21.04	383.10

Inception: 1 Jan 2009

### Total Return: Canada Core Pick List vs. S&P/TSX 60 (%)



## A Recap of the Stocks on This Month's Buying List

**Rogers Communications** remains on the list from last month. The stock trades at a 45.5% discount to our fair value estimate of \$66.

**BCE** remains on the list from last month. The stock trades at a 31.9% discount to our fair value estimate of \$45.

**Telus** remains on the list from last month. The stock trades at a 26.8% discount to our fair value estimate of \$29.

**Bausch & Lomb** remains on the list from last month. The stock trades at a 45.5% discount to our fair value estimate of \$28.

**Restaurant Brands International** remains on the list from last month. The stock trades at an 18.5% discount to our fair value estimate of \$109.

**Nutrien** remains on the list from last month. The stock trades at a 20.5% discount to our fair value estimate of \$99.

**Bombardier** remains on the list from last month. The stock trades at a 19.4% discount to our fair value estimate of \$113.

**Canadian National Railway** was added to the Buy list from the Hold list this month. The stock trades at an 11.6% discount to our fair value estimate of \$151.

### An Overview of the Canada Core Pick List

The purpose of having a Consider Buy list and a Consider Hold list is to continually surface our best ideas in the Consider Buy list, while allowing users to track what's happened to former Consider Buy picks in the Consider Hold list. A Consider Buy list name "graduates" to the Consider Hold list once it is no longer among the top eight names based on our selection criteria, or once other fundamental factors have necessitated a change in our view of the company.

The Core Consider Buy list includes only Canadian companies with:

- Narrow or wide economic moats.
- A fair value uncertainty that is not very high or extreme.
- A market capitalization of greater than CAD 5 billion.

We keep sector exposure for the Consider Buy list capped at 38%. Because we use an absolute rather than a relative approach to a valuation, there will be times that some sectors have greater representation in the Consider Buy list than others. This is especially true for Canadian stocks, which tend to be concentrated among a few major sectors like financials, energy, and basic materials.

### The Morningstar Methodology

The central tenet of the Morningstar approach to equity research is to buy strong businesses at appropriate margins of safety to what they're worth. This is what drives the star rating you'll find in each company report. A 5-star company is one we'd consider undervalued, meaning that its stock price is trading at a discount to its true worth that is greater than the margin of safety we'd need to consider buying it. A 1-star stock is, conversely, overvalued.

### Performance Tracking

Morningstar tracks the performance of the Core Consider Buy and the Income Consider Buy lists on a trailing month, year-to-date, and trailing year basis. As more time passes, we'll be able to add longer terms of measurement. To track performance, we began with a fictional \$100,000 invested equally in each stock on the buy lists. At the end of each month, we reinvest the value of the lists (including dividends) back into the new buy list, again with equal weighting.

**For Recipients in Canada:** This research is not prepared subject to Canadian disclosure requirements.