



1 Simple Tip to Supercharge Your Investment Returns

Description

A lot has been written about maximizing investment returns. There are thousands of strategies, ranging from the prudent to the outlandish, all claiming to boost investor returns. I promise, we won't go through all of them.

Fortunately for investors, there's one strategy that, over time, consistently beats the market. In fact, according to studies done on the subject over many decades, investors who do one simple thing tend to outperform their peers significantly. The strategy is really easy to implement.

All investors need to do is buy companies that are trading at a low price-to-book value ratio.

Chances are, they'll be beaten-up companies with real problems, but that's exactly the time to get in. Buying when everyone else is selling may not win friends at cocktail parties, but it will lead to superior results. And aren't results really what we're after?

Here are four Canadian companies that are trading at significant discounts to their net asset value. Each deserves consideration for your portfolio.

Teck Resources

After shares boomed in 2008 and again in late 2010, the last few years haven't been pretty for **Teck Resources** (TSX: TCK.B)(NYSE: TCK). [The company has suffered from revenue decreases and lower profits](#), thanks to weakness in both the copper and metallurgical coal markets.

Because of this weakness, the company is trading at a 25% discount to its book value, one of the largest discounts on the TSX. Teck is sitting on almost \$2.5 billion in cash, a manageable debt level, and earns enough to cover its dividend, which currently yields 3.7%.

Kinross Gold

Thanks to the recent weakness in the price of the yellow metal, all sorts of gold stocks are trading at discounts to their book value.

Kinross ([TSX: K](#))([NYSE: KGC](#)) is perhaps the cheapest among the large caps in the sector, trading at a full 20% under its book value. Not only has the company been forced to deal with commodity weakness, but it also got punished by investors because of its Russian exposure. Around a third of the company's production comes from Russia, a nation that isn't exactly friendly with the West right now.

Kinross is so beaten up that it's trading at a price not seen since 2004. This could end up being a terrific entry point for long-term investors.

Yamana Gold

Another beaten-up gold company is **Yamana Gold** ([TSX: YRI](#))([NYSE: AUU](#)), which currently trades at approximately a 15% discount to its book value. Investors are nervous about the company because of overall gold price weakness, and because a portion of the company's production is in Argentina, which is viewed as being somewhat unstable.

Like Kinross, Yamana is trading at its lowest levels in almost a decade. Investors betting for a turnaround can take comfort in its solid balance sheet, low-cost operations, and 2% dividend, which is easily covered by cash flow. If gold prices turn around even slightly, it'll have a huge positive effect for Yamana.

Penn West

Perhaps the cheapest large cap on the TSX is **Penn West Petroleum** ([TSX: PWT](#))([NYSE: PWE](#)), which trades at a 32% discount to its book value. The company has suffered from all sorts of issues in the past, including disappointing results and a management team that constantly overpromised and underdelivered. This weakness all culminated with a dividend cut of nearly 50% last summer.

The company has been taking steps to recover from its recent missteps. It brought in an entirely new management team, which has been selling off assets and using the cash to pay down debt. Cash flow is easily enough to pay the new dividend, which currently yields 5.3%. And the company has done a nice job reining in its capital budget, savings that will fall straight to the bottom line.

Like the other three companies mentioned, Penn West is poised to significantly outperform, but investors must be patient. Often, beaten-up companies trading at a discount to book value will take years to recover. Still, the results are worth the wait.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:K (Kinross Gold Corporation)
3. TSX:TECK.B (Teck Resources Limited)
4. TSX:YRI (Yamana Gold)

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Date

2025/09/07

Date Created

2014/06/09

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