



## How to Take Advantage of the Oil-Price Slump Without Buying Energy Stocks

### Description

With the oil price dropping from about US\$100 per barrel to US\$50 per barrel in three months, investors may have bought shares in energy companies. However, if you've already added enough energy shares to your portfolio, there are other value investments you can add to your portfolio to take advantage of the oil price slump.

Due to the drop in oil price, these two companies have also retreated in price, and in my opinion, are priced at a discount to their intrinsic values. Both companies do business in resource-rich areas of Canada.

### About Canadian Western Bank

**Canadian Western Bank** ([TSX:CWB](#)) offers a full range of business and personal banking services to its customers, primarily across the four western provinces. It is among the top Canadian companies with the longest streak of growing dividends and has increased its dividend for 23 years in a row.

In 2008 when the world was experiencing financial turmoil, the bank still made a token penny raise of its dividend. Although a penny is not much, it shows that the bank is committed to its dividend, even in the face of headwinds.

Currently, Canadian Western Bank pays out \$0.84 per share annually. This is roughly a 2.8% yield. In the past decade, it has only reached this yield (and beyond) during the financial crisis. In the past five years, its yield range has oscillated between 1.5% and 2.5%.

In the Q1 2015 report, the bank reiterated its earnings per share growth forecast of 5-8% for this year. In 2014 the bank's EPS was \$2.76. Assuming Canadian Western Bank achieves the 5% growth by the end of this year, its EPS would be \$2.90. Using its historical price-to-earnings (P/E) ratio of 13.6-14, the bank's fair value would be between \$39-41 by the end of 2015.

Canadian Western Bank shares are selling at a discount today and this is a good opportunity for long-term investors.

## Northern Property REIT

**Northern Property REIT** (TSX:NPR.UN) primarily owns and operates multi-family residential real estate in natural resource markets of Canada. Since 2002, it has reduced risk by diversifying its properties geographically. In 2002 it received net operating income from only two territories and one province. Today 84% of its net operating income is derived from Nunavut (27%), Alberta (25%), the Northwest Territories (18%), and British Columbia (14%), with the remaining 16% from Newfoundland, Saskatchewan, and Quebec.

In the past decade, Northern Property's funds from operations (FFO) per unit increased 6% annually. This growth allowed the REIT to increase its distribution eight times since inception, while maintaining a healthy payout ratio.

In 2014 Northern Property started developing 410 units in Alberta and 118 units in British Columbia. Of the units in Alberta, 292 are completed, with the rest expected to be completed by Q3 2015. Furthermore, the REIT also has plans to expand into the urban market of Calgary. New properties require minimal capital expenditure in their first five to 10 years of service. On top of its developments, Northern Property is also acquiring existing properties for immediate contribution to the FFO.

The REIT has experienced a decline of over 17% from its 52-week high of \$30. It currently costs about \$25 per unit and it pays a handsome 6.6% yield, sustainable with a payout ratio of 67%. Using its historical P/FFO of 10-12.2, the REIT's fair value would be at the level of \$30 by the end of 2015.

Northern Property is well positioned to withstand the low commodity prices because of its healthy financial metrics, geographical diversification, continued growth, and experienced management team.

Whether or not you are looking at Northern Property REIT with a value perspective or a current income perspective, Northern Property REIT units are selling at a discount today. And because REITs don't pay eligible dividends, buy their units in a TFSA or RRSP to avoid any tax hassles.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)

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