5 Top Stocks Under $5

Description

It’s not easy to find bargain-priced securities, but there are still some deals floating around if you know where to look.

Screening through stocks trading under $5 can be a great source of investment ideas. After all, it’s a lot easier for a share price to surge from $2 to $4 than from $100 to $200. And because of their cheap prices, small investors are able to buy a larger number of shares.

Even better, because the price tags on these stocks are so tiny, they don’t tend to draw much attention from Bay Street money managers. In fact, most mutual funds are restricted from buying stocks that trade under $5. That gives retail investors who can tread where they please an edge.

The good news is that the recent market turmoil has turned some of these sub-$5 stocks into outright steals. Here are five of my favourites:

Name	Stock Price	Market Cap
Denison Mines	$1.07	$551.38 million
Athabasca Oil	$2.21	$885.89 million
Bombardier	$2.43	$5.54 billion
Kinross Gold	$2.98	$3.42 billion
Sandstorm Gold	$4.25	$885.89 million

Source: Yahoo! Finance

Let’s say a few words about these companies.

These are hard times in the uranium business. Following Japan’s Fukushima disaster in 2011, many countries have scaled back or even scrapped their atomic power programs entirely. As a result, uranium spot prices are hovering near a 10-year low, sitting around $35/lb today.

Here's the problem: the average cost to produce uranium is more than twice that figure. Eventually, rates must rise to meet the cost of production. In that event, producers like **Denison Mines Corp.** (TSX:DML)(NYSEMKT:DNN) could see their profits soar.

It's a similar story in the oil patch. Low crude prices have crushed the energy sector. However, the industry is heading toward a supply crunch as producers delay new projects and consumers ramp up demand. If that happens, marginal names like **Athabasca Oil Corp.** (TSX:ATH) will be one of the hottest stocks on the Toronto Stock Exchange.

Bombardier Inc.'s (TSX:BBD.B) sagging aerospace division has been a big drag on the stock, but it looks as though the worst-case scenario has already been priced in. Issues surrounding the company's CSeries aircraft are starting to be resolved and its project backlog is approaching $50 billion—enough to keep management busy for two full years. Those catalysts could lift shares in the months ahead.

Kinross Gold Corporation (TSX:K)(NYSE:KGC) is another troubled stock. As a result of falling gold prices, the company has been forced to write off millions of dollars in reserves. Compounding these problems, investors are worried that Kinross's two Russian mines could be nationalized.

While those are valid concerns, the market is awarding almost no value to the company's properties in Russia. If these assets are not seized as feared, this company could be worth substantially more.

Finally, royalty companies like **Sandstorm Gold Ltd.** (TSX:SSL)(NYSEMKT:SAND) are like the loan sharks of the mining industry. These resource firms are unique because they don't actually operate any mines themselves. Rather, they finance new projects and earn royalties on future output. This business model has proven to be a far more profitable way to invest in gold mines than traditional resource stocks.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. NYSEMKT:DNN (Denison Mines Corp.)
3. TSX:BBD.B (Bombardier)
4. TSX:DML (Denison Mines Corp.)
5. TSX:K (Kinross Gold Corporation)
6. TSX:SSL (Sandstorm Gold Ltd.)

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