3 Diversified Stock Picks for the Value-Conscious Investor

Description

As value-conscious investors, we are always on the lookout for high-quality stocks that are trading at discounted levels. Well, I have scoured the market and found three stocks from three different industries that are trading at inexpensive valuations compared with their five-year averages, so let's take a quick look at each to determine if you should buy one of them today.

1. Canadian Pacific Railway Limited

Canadian Pacific Railway Limited (TSX:CP)(NYSE:CP) is the second-largest rail network operator in Canada and one of the 10 largest in North America.

At today's levels, its stock trades at just 16.9 times fiscal 2015's estimated earnings per share of $10.15 and only 14.7 times fiscal 2016's estimated earnings per share of $11.70, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 26.8.

I think Canadian Pacific's stock could consistently command a fair multiple of at least 20, which would place its shares around $234 by the conclusion of fiscal 2016, representing upside of more than 36% from current levels.

In addition, the company pays a quarterly dividend of $0.35 per share, or $1.40 per share annually, giving its stock a 0.8% yield.

2. Laurentian Bank of Canada

Laurentian Bank of Canada (TSX:LB) is one of the largest financial institutions in eastern Canada, with approximately $39.6 billion in total assets.

At current levels, its stock trades at just 8.7 times fiscal 2016's estimated earnings per share of $5.83 and only 8.3 times fiscal 2017's estimated earnings per share of $6.10, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.6.

I think Laurentian Bank's stock could consistently command a fair multiple of at least 10, which would place its shares around $61 by the conclusion of fiscal 2017, representing upside of more than 20% from today's levels.

In addition, the company pays a quarterly dividend of $0.58 per share, or $2.32 per share annually, giving its stock a 4.6% yield.

3. TransAlta Renewables Inc.

TransAlta Renewables Inc. (TSX:RNW) is one of Canada's largest owners and operators of renewable power generation facilities, and it is the country's largest producer of wind power.

At today's levels, its stock trades at just 15.2 times fiscal 2015's estimated earnings per share of $0.65 and only 13.7 times fiscal 2016's estimated earnings per share of $0.72, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 26.4.

I think TransAlta's stock could consistently command a fair multiple of about 18, which would place its shares around $13 by the conclusion of fiscal 2016, representing upside of more than 31% from current levels.

Additionally, the company pays a monthly dividend of $0.07 per share, or $0.84 per share annually, giving its stock an 8.5% yield.

Which of these value plays fits your portfolio's needs?

Canadian Pacific Railway, Laurentian Bank of Canada, and TransAlta Renewables are three of the most attractive value plays in their respective industries. All Foolish investors should take a closer look and consider establishing positions in at least one of them in the trading sessions ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:RNW (TransAlta Renewables)

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