3 Stocks That Could Help You Beat the Market in 2016

Description

As we approach the New Year, many investors have been harvesting losses from their losing positions in 2015 and replacing them with undervalued stocks with great upside potential for 2016 and beyond. However, finding the new stock can be a very difficult task. In order to simplify things, I have done the hard part and found three undervalued stocks from three different industries, so let's take a quick look at each to determine which would fit best in your portfolio.

1. Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is the fourth-largest bank in Canada and the eighth-largest in North America with approximately $641.9 billion in total assets.

At today's levels, its stock trades at just 11.1 times fiscal 2016's estimated earnings per share of $7.18 and only 10.4 times fiscal 2017's estimated earnings per share of $7.62, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and its industry average multiple of 13.2.

I think Bank of Montreal's stock could consistently command a fair multiple of at least 12, which would place its shares upwards of $91 by the conclusion of fiscal 2017, representing upside of more than 14% from current levels.

Also, the company pays a quarterly dividend of $0.84 per share, or $3.36 per share annually, which gives its stock a 4.2% yield.

2. Macdonald Dettwiler & Associates Ltd.

Macdonald Dettwiler & Associates Ltd. (TSX:MDA) is a global communications and information company, providing operational solutions to commercial and government organizations worldwide.

At today's levels, its stock trades at just 13.7 times fiscal 2015's estimated earnings per share of $6.10 and only 13.1 times fiscal 2016's estimated earnings per share of $6.38, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 28.2 and its industry average multiple

of 21.9.

I think Macdonald Dettwiler's stock could consistently command a fair multiple of at least 15, which would place its shares upwards of $95 by the conclusion of fiscal 2016, representing upside of more than 13% from current levels.

In addition, the company pays a quarterly dividend of $0.37 per share, or $1.48 per share annually, which gives its stock a 1.8% yield.

3. George Weston Limited

George Weston Limited ([TSX:WN](#)) is the largest food processor and distributor in Canada, and it is the company behind **Loblaw Companies Limited**, **Choice Properties Real Est Invstmnt Trst,** Weston Foods, Shoppers Drug Mart, and President's Choice Financial.

At today's levels, its stock trades at just 19.2 times fiscal 2015's estimated earnings per share of $5.69 and only 16.3 times fiscal 2016's estimated earnings per share of $6.68, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 41.6 and its industry average multiple of 26.6.

I think George Weston's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of $133 by the conclusion of fiscal 2016, representing upside of more than 21% from current levels.

Also, the company pays a quarterly dividend of $0.425 per share, or $1.70 per share annually, which gives its stock a 1.6% yield.

Which of these value plays would fit best in your portfolio?

Bank of Montreal, Macdonald Dettwiler & Associates, and George Weston Limited are three of the top value plays in their respective industries, and all have the potential to widely outperform the overall market going forward. Foolish investors should take a closer look and strongly consider initiating positions in one of them today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:WN (George Weston Limited)

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