



3 Undervalued Financial Stocks I Just Added to My Watch List

Description

As value-conscious investors, we are always on the lookout for high-quality stocks that are trading at discounted levels, and the recent weakness in the market has created a plethora of opportunities. With this in mind, let's take a look at three attractive options from the financial sector that I just added to my watch list and that you could buy today.

1. Home Capital Group Inc.

Home Capital Group Inc. ([TSX:HCG](#)) is one of Canada's leading alternative financial institutions with approximately \$20.3 billion in total assets.

At today's levels, its stock trades at just 6.6 times fiscal 2015's estimated earnings per share of \$4.13 and a mere 6.3 times fiscal 2016's estimated earnings per share of \$4.35, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 9.9 and its industry average multiple of 13.2.

I think Home Capital Group's stock could consistently trade at a fair multiple of at least eight, which would place its shares upwards of \$34 by the conclusion of fiscal 2016, representing upside of about 25% from current levels.

Also, the company pays a quarterly dividend of \$0.22 per share, or \$0.88 per share annually, which gives its stock a 3.2% yield.

2. Sun Life Financial Inc.

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) is the third-largest insurance company in Canada with more than \$846 billion in assets under management.

At today's levels, its stock trades at just 11.9 times fiscal 2015's estimated earnings per share of \$3.56 and only 11 times fiscal 2016's estimated earnings per share of \$3.84, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.3 and its industry average multiple of 22.7.

I think Sun Life's stock could consistently trade at a fair multiple of at least 15, which would place its shares upwards of \$57 by the conclusion of fiscal 2016, representing upside of more than 34% from current levels.

In addition, the company pays a quarterly dividend of \$0.39 per share, or \$1.56 per share annually, which gives its stock a 3.7% yield.

3. Gluskin Sheff + Associates Inc.

Gluskin Sheff + Associates Inc. (TSX:GS) is one of Canada's largest independent wealth management firms with approximately \$8.2 billion in assets under management.

At today's levels, its stock trades at just 13.1 times fiscal 2016's estimated earnings per share of \$1.56 and only 10.5 times fiscal 2017's estimated earnings per share of \$1.94, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13.3 and its industry average multiple of 33.

I think Gluskin's stock could consistently trade at a fair multiple of at least 13, which would place its shares upwards of \$25 by the conclusion of fiscal 2017, representing upside of more than 22% from current levels.

Also, the company pays a quarterly dividend of \$0.25 per share, or \$1.00 per share annually, which gives its stock a 4.9% yield.

Which of these financial stocks belongs in your portfolio?

Home Capital Group, Sun Life Financial, and Gluskin Sheff + Associates are three of the top value plays in their respective industries in the financial sector, and all have the added benefit of dividend yields of over 3%. Foolish investors should take a closer look and consider beginning to scale in to positions in one of them over the next couple of trading sessions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:HCG (Home Capital Group)
2. TSX:SLF (Sun Life Financial Inc.)

Category

1. Investing

Date

2025/08/25

Date Created

2016/01/06

Author

jsolitro

default watermark

default watermark