



Beat the Market in 2016 With These 3 Stocks

Description

As investors, it is our ultimate goal to outperform the overall market each and every year. There are many ways you can go about trying to do this, but one of the best and least-risky ways I have found is to buy stocks that are both undervalued on a price-to-earnings basis and have high and safe dividend yields.

I have scoured the market and found three stocks from three different industries that meet these criteria perfectly, so let's take a quick look at each to determine which would be the best fit for your portfolio.

1. Telus Corporation

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is one Canada's three largest telecommunications companies, providing products and services to over 14 million consumers and businesses.

At today's levels, its stock trades at just 15.8 times fiscal 2015's estimated earnings per share of \$2.41 and only 13.8 times fiscal 2016's estimated earnings per share of \$2.75, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.2.

I think Telus's stock could consistently trade at a fair multiple of at least 17, which would place its shares upwards of \$46 by the conclusion of fiscal 2016, representing upside of over 21% from current levels.

In addition, the company pays a quarterly dividend of \$0.44 per share, or \$1.76 per share annually, which gives its stock a 4.6% yield. It is also important to note that it has raised its annual dividend payment for 12 consecutive years, and it has a program in place to grow it by another 10% in 2016.

2. Valener Inc.

Valener Inc. (TSX:VNR) is a public company that serves as an investment vehicle in Gaz Metro, which owns a diversified and largely regulated energy portfolio in Quebec and Vermont.

At today's levels, its stock trades at just 15.5 times fiscal 2016's estimated earnings per share of \$1.16 and only 15 times fiscal 2017's estimated earnings per share of \$1.20, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.4.

I think Valener's stock could consistently trade at a fair multiple of at least 17, which would place its shares upwards of \$20 by the conclusion of fiscal 2017, representing upside of over 11% from current levels.

Additionally, the company pays a quarterly dividend of \$0.27 per share, or \$1.08 per share annually, which gives its stock a 6% yield. Investors should also note that it increased its dividend twice in 2015, and it has stated that it intends to increase it by another 4% annually through 2018.

3. TMX Group Limited

TMX Group Limited ([TSX:X](#)) operates cash and derivative markets for multiple asset classes, including equities, fixed income, and energy, and it provides clearing facilities and data products to financial institutions worldwide.

At today's levels, its stock trades at just 10.4 times fiscal 2015's estimated earnings per share of \$3.60 and only 9.5 times fiscal 2016's estimated earnings per share of \$3.94, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.7.

I think TMX Group's stock could consistently trade at a fair multiple of about 12, which would place its shares upwards of \$47 by the conclusion of fiscal 2016, representing upside of over 25% from current levels.

In addition, the company pays a quarterly dividend of \$0.40 per share, or \$1.60 per share annually, which gives its stock a 4.3% yield. Investors should also note that it has maintained this annual rate since 2011, and its consistent cash flows from operating activities, including \$201.7 million in the first nine months of fiscal 2015, could allow it to continue to do so going forward.

Which of these stocks belongs in your portfolio?

Telus, Valener, and TMX Group are undervalued and have high dividend yields, and I think each will outperform the overall market going forward. All Foolish investors should strongly consider initiating positions in one or more of them today.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TU (TELUS)

2. TSX:T (TELUS)
3. TSX:X (TMX Group)

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