Find Value in This Market Correction

Description

The **iShares S&P/TSX 60 Index Fund,** which is representative of the market, has fallen from its 52-week high of about $22.70 to about $17.70. The market has corrected roughly 22%.

When facing a market correction, self-directed investors shouldn't panic. Instead, it's time to stay calm and review your watch list. One way to stay calm is knowing that you hold a diversified portfolio.

The energy and mining sectors have been particularly battered, and rightly so. From 2014 the WTI oil price has fallen from over US$100 to below US$30. Similarly, other commodity prices such as gold, silver, copper, etc. have also continued to fall.

So, it might serve an investor well for the long term to start shopping for financially solid energy and mining companies that will be survivors in the turmoil.

Here's a diversified portfolio of solid businesses for you to consider to add to over time as the market corrects.

Suncor Energy Inc. (TSX:SU)(NYSE:SU) is an integrated energy company with operations in producing and refining oil. It merged with Petro-Canada in 2009 and has a network of over 1,500 retail and wholesale outlets across Canada.

Suncor has increased its dividend for 13 consecutive years. Even amid low oil prices it still managed to increase its dividend by 3.6% last year. At $30 per share, it yields 3.9%.

Silver Wheaton Corp. (TSX:SLW)(NYSE:SLW) is the largest precious metals streaming company on earth. Silver Wheaton has long-term agreements with about 20 mines to pay an upfront payment for the silver and gold by-products. Typically, an ounce of silver costs between US$4 to US$6 and an ounce of gold costs US$400 with inflationary adjustments.

This means Silver Wheaton doesn't have to worry about any cost overruns required to operate mines. So, Silver Wheaton shareholders can enjoy any upside to precious metals with less risk than investing in mining companies that operate mines.

At under $15 per share, Silver Wheaton pays a 1.8% yield. Its quarterly dividend is equal to 20% of the average cash generated by operating activities in the previous four quarters. In other words, its dividend changes with precious metal prices.

Royal Bank of Canada (TSX:RY)(NYSE:RY) is a leading bank in Canada. Additionally, Royal Bank earns 19% of its revenue from the U.S., so it benefits from a rising interest rate and from a stronger U.S. dollar.

At about $67 per share, it yields 4.7% with a payout ratio of 47% based on its fiscal year 2015 earnings per share. With a target payout-ratio range of 40-50% and rising earnings, Royal Bank should continue its pattern of increasing its dividend. The next hike is expected to be in the second quarter.

Telus Corporation (TSX:T)(NYSE:TU) is one of the Big Three telecoms in Canada. **Shaw Communications Inc.'s** entrance into the mobile space gave a scare to Telus's share price.

At under $37, Telus is decently priced with a yield of 4.8%. Telus has increased its dividend for 12 consecutive years and plans to continue increasing it by about 10% this year.

Conclusion

Investors should recognize that it's impossible to catch a market bottom. Instead, they should look for value in the chaos and buy solid businesses they believe will become more valuable over time. Dollar-cost averaging in to positions in a diversified portfolio over time reduces risk.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
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5. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TU (TELUS)
4. TSX:RY (Royal Bank of Canada)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:T (TELUS)
7. TSX:WPM (Wheaton Precious Metals Corp.)

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