TFSA Investors: 2 Oversold Stocks I'd Buy With an Extra $5,500

Description

Canadian investors now have an additional $5,500 in contribution room for their TFSAs.

For those who have managed to set aside the funds, it might be worthwhile to take a look at **Telus Corporation** (TSX:T)(NYSE:TU) and **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF) right now.

Telus

Telus is the fastest-growing business in a sector that only has four serious competitors. That's a pretty good spot to be in, and investors normally flock to Telus when looking for a reliable dividend pick.

In recent months though, the name has fallen somewhat out of favour on worries about the impending changes to the TV market and the entrance of **Shaw Communications** into the mobile space.

I think concerns on both accounts are overblown.

Why?

Beginning in March, Canadians will have the opportunity to choose a basic $25 TV package and then add channels or mini-bundles on a pick-and-pay basis. Some analysts believe consumers will try to reduce their TV bills, which would hurt subscription revenues. I think consumers will simply add channels until they hit their current budget.

On the content side, there is a risk that some channels won't survive in the new system. That isn't a concern for Telus because it doesn't own any of the content.

What's the mobile threat?

Shaw's acquisition of Wind Mobile has investors wondering if Telus will be forced into a price war. The Wind Mobile deal doesn't close until late 2016, so Telus has nearly a year to prepare for battle in western Canada.

On a national scale, Shaw will have to invest heavily to build out the network before it can compete on a level playing field, and Telus already offers competitive packages across the country. In fact, Telus is adding new subscribers at a pretty healthy clip, so the entrance of Shaw shouldn't be a big issue.

I think Shaw's move into the mobile market is mostly an effort to reduce subscriber losses on the cable side by offering customers complete TV, Internet, and mobile packages. Consumers might be hoping the entrance of Shaw will mean cheaper mobile plans, but a price war is unlikely to emerge.

Telus has raised its dividend 12 times in the past five years. The stock pays a quarterly distribution of $0.44 per share that now yields 4.75%. The payout is very safe, and investors should see strong growth continue.

Sun Life

Sun Life really took it on the chin during the financial crisis as heavy exposure to U.S. annuities hammered the balance sheet and sent the stock into a free fall.

Management has since sold off that arm of the operation and is focusing new investments on areas of steady, low-risk growth such as asset management. This adds another pillar to the business and complements the existing insurance and wealth management segments.

Sun Life is also boosting its bets on growing markets in Asia with a particular focus on its Birla Sun Life partnership in India. The Indian government recently changed the rules to allow foreign insurance companies to increase their equity positions in local partnerships from 26% to 49%. Sun Life is taking advantage of the opportunity, and investors should see the benefits in the coming years as India's insurance industry is expected to expand at a rapid pace.

The shares have recovered nicely and Sun Life has started raising the dividend again with two increases in 2015. More hikes should be on the way as new acquisitions in the U.S. become accretive. The stock pays a quarterly distribution of $0.39 per share that yields 4%.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:SLF (Sun Life Financial Inc.)
3. TSX:T (TELUS)

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