Diversify Your Portfolio With These 3 Stocks

Description

One of the keys to success in investing is staying diversified, because it reduces your risk by minimizing your exposure to a single industry and allows you to benefit from the growth trends in several industries. With this in mind, let's take a look at three stocks from three different industries that you could buy right now.

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1. Linamar Corporation

Linamar Corporation (TSX:LNR) is one of the leading manufacturers of powertrain system solutions for the automotive, energy, and industrial markets.

At today's levels, its stock trades at just 8.8 times fiscal 2015's estimated earnings per share of $6.56 and only 7.5 times fiscal 2016's estimated earnings per share of $7.72, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 12.5 and its industry average multiple of 23.8.

With the multiples above, its estimated 6.6% long-term earnings growth rate, and the high volatility in the market in mind, I think Linamar's stock could consistently trade at a fair multiple of at least 10, which would place its shares upwards of $77 by the conclusion of fiscal 2016, representing upside of over 32% from current levels.

Also, the company pays a quarterly dividend of $0.10 per share, or $0.40 per share annually, which gives its stock a 0.7% yield.

2. National Bank of Canada

National Bank of Canada (TSX:NA) is the sixth-largest bank in Canada with approximately $216.1 billion in total assets.

At today's levels, its stock trades at just 7.8 times fiscal 2016's estimated earnings per share of $4.76 and a mere 7.4 times fiscal 2017's estimated earnings per share of $5.04, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.1 and its industry average multiple of 13.1.

With the multiples above, its estimated 7.1% long-term earnings growth rate, and the high volatility in the market in mind, I think National Bank's stock could consistently trade at a fair multiple of at least 10, which would place its shares upwards of $50 by the conclusion of fiscal 2017, representing upside of over 34% from current levels.

In addition, the company pays a quarterly dividend of $0.54 per share, or $2.16 per share annually, which gives its stock a bountiful 5.8% yield.

3. MTY Food Group Inc.

MTY Food Group Inc. (TSX:MTY) is one the largest franchisers of restaurants in Canada, and its portfolio of brands include Thai Express, Country Style, Extreme Pita, La Cremiere, and Tiki Ming.

At today's levels, its stock trades at just 19.3 times fiscal 2015's estimated earnings per share of $1.60 and only 18.7 times fiscal 2016's estimated earnings per share of $1.65, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 21.1 and its industry average multiple of 35.8.

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With the multiples above, its estimated 3.1% earnings growth rate in fiscal 2016, and the high volatility in the market in mind, I think MTY's stock could consistently trade at a fair multiple of at least 22, which would place its shares upwards of $36 by the conclusion of fiscal 2016, representing upside of over 16% from current levels.

Also, the company pays a quarterly dividend of $0.115 per share, or $0.46 per share annually, which gives its stock a 1.5% yield.

Should you diversify your portfolio with one of these stocks?

Linamar, National Bank of Canada, and MTY Food Group are three of the most attractive long-term investment options in their respective industries, and all have the added benefit of dividends. Foolish investors should take a closer look at each and consider initiating positions in at least one of them in the very near future.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)
2. TSX:MTY (MTY Food Group)
3. TSX:NA (National Bank of Canada)

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