

The Instant 3-Stock Portfolio for Value Investors

Description

If you're a value investor, then this article is for you. I've scoured the market and selected three undervalued stocks from different industries, so let's take a quick look at each to determine if you should buy them to form your instant three-stock portfolio.

1. TransCanada Corporation

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) is one of the largest owners and operators of natural gas pipelines and storage facilities in North America.

At today's levels, its stock trades at just 19 times fiscal 2016's estimated earnings per share of \$2.59 and only 17.3 times fiscal 2017's estimated earnings per share of \$2.85, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 21.7.

I think TransCanada's stock could consistently trade at a fair multiple of at least 20, which would place its shares around \$57 by the conclusion of fiscal 2017, representing upside of more than 15% from today's levels.

In addition, the company pays a quarterly dividend of \$0.565 per share, or \$2.26 per share annually, which gives its stock a yield of about 4.6%.

2. First National Financial Corp.

First National Financial Corp. ([TSX:FN](#)) is Canada's largest non-bank originator and underwriter of mortgages with over \$93 billion in mortgages under administration.

At today's levels, its stock trades at just 8.5 times fiscal 2016's estimated earnings per share of \$2.59 and only 7.9 times fiscal 2017's estimated earnings per share of \$2.80, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.9.

I think First National's stock could consistently trade at a fair multiple of at least 11, which would place its shares upwards of \$30 by the conclusion of fiscal 2016, representing upside of more than 35% from today's levels.

In addition, the company pays a monthly dividend of \$0.129167 per share, or \$1.55 per share annually, which gives its stock a yield of about 7%.

3. Open Text Corporation

Open Text Corporation ([TSX:OTC](#))([NASDAQ:OTEX](#)) is one of the world's leading providers of enterprise information management.

At today's levels, its stock trades at just 13.4 times 2016's estimated earnings per share of US\$3.78

and only 11.9 times fiscal 2017's estimated earnings per share of US\$4.25, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 27.2.

I think Open Text's stock could consistently trade at a fair multiple of at least 15, which would place its shares upwards of \$63 by the conclusion of fiscal 2017, representing upside of more than 24% from today's levels.

In addition, the company pays a quarterly dividend of US\$0.20 per share, or US\$0.80 per share annually, which gives its stock a yield of about 1.6%.

Should you buy these stocks today?

TransCanada, First National Financial, and Open Text are three of the best investment options in their respective industries. Take a closer look and strongly consider initiating positions in each of them to form your instant three-stock portfolio.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:FN (First National Financial Corporation)
4. TSX:OTEX (Open Text Corporation)
5. TSX:TRP (TC Energy Corporation)

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