



3 Top Stock Picks From the Financial Sector

Description

As a fundamental investor, I am always on the lookout for high-quality companies whose stocks are trading at discounted levels and have great dividends, and I have just come across three very attractive options in the financial sector. Let's take a quick look at each, so you can determine if you should buy one of them today.

1. Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is the fourth-largest bank in Canada and the eight-largest in North America with approximately \$699.3 billion in total assets.

At today's levels, its stock trades at just 10.9 times fiscal 2016's estimated earnings per share of \$7.10 and only 10.3 times fiscal 2017's estimated earnings per share of \$7.47, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and its industry average multiple of 13.3.

In addition, Bank of Montreal pays a quarterly dividend of \$0.84 per share, or \$3.36 per share annually, which gives its stock a yield of about 4.4%. It is also very important to note that it has raised its annual dividend payment for four consecutive years, and its recent increases, including its 2.4% hike in December 2015, has it on pace for 2016 to mark the fifth consecutive year with an increase.

2. Power Financial Corp.

Power Financial Corp. (TSX:PWF) is a diversified management and holding company with interests in companies in the financial services industries in Canada, the United States, Europe, and Asia, and its holdings include a 67.4% ownership stake in **Great-West Lifeco Inc.** and a 60.1% ownership stake in **IGM Financial Inc.**

At today's levels, its stock trades at just 10.1 times fiscal 2015's estimated earnings per share of \$3.16 and only 9.7 times fiscal 2016's estimated earnings per share of \$3.27, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 12 and its industry average multiple of 19.5.

In addition, Power Financial pays a quarterly dividend of \$0.3725 per share, or \$1.49 per share annually, which gives its stock a yield of about 4.7%. Investors should also note that it raised its dividend by 6.4% in February 2015, and I think its strong operational performance could allow it to announce another hike when it releases its fourth-quarter earnings results on March 23.

3. CI Financial Corp.

CI Financial Corp. ([TSX:CIX](#)) is a diversified wealth management firm, and it is one of Canada's largest investment fund companies with approximately \$139.9 billion in assets under management and advisement.

At today's levels, its stock trades at just 14 times fiscal 2016's estimated earnings per share of \$2.03 and only 12.8 times fiscal 2017's estimated earnings per share of \$2.22, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 19.2 and its industry average multiple of 35.9.

In addition, CI Financial pays a monthly dividend of \$0.11 per share, or \$1.32 per share annually, which gives its stock a yield of about 4.6%. It is also important to note that it has raised its annual dividend payment for six consecutive years, and its 4.8% hike in June 2015 has it on pace for 2016 to mark the seventh consecutive year with an increase.

Could your portfolio use a financial stock?

Bank of Montreal, Power Financial, and CI Financial are three of the most attractive investment options in the financial sector. Foolish investors should strongly consider beginning to scale in to long-term positions in one of them today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:CIX (CI Financial)

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