



3 Top Financial Stocks to Add to Your Buy List

Description

As investors, it's our goal to outperform the overall market each and every year. There are many ways to go about trying to do this, but one of the best and least-risky ways I have found is to buy stocks that meet these criteria:

- The company is a leader in its industry
- Its stock is undervalued on a forward price-to-earnings basis
- It has a high dividend yield or it pays a dividend and has an active streak of annual increases

I've scoured the financial sector and selected three stocks that meet these criteria perfectly, so let's take a closer look at each to determine which would best fit for your portfolio.

1. Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is the second-largest bank in Canada with approximately \$1.17 trillion in total assets.

At today's levels, its stock trades at just 11.6 fiscal 2016's estimated earnings per share of \$4.78 and only 11 times fiscal 2017's estimated earnings per share of \$5.07, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13 and its sub-industry average multiple of 13.2. It also trades at a mere 1.55 times its book value per share of \$35.99, which is very inexpensive compared with its five-year average market-to-book value of 1.78.

In addition, Toronto-Dominion pays a quarterly dividend of \$0.55 per share, or \$2.20 per share annually, which gives its stock a yield of about 3.95%. Investors must also note that it has raised its annual dividend payment for five consecutive years, and its 7.8% hike in February has it on pace for 2016 to mark the sixth consecutive year with an increase.

2. Manulife Financial Corp.

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is one of the world's leading providers of financial products and services, including life and health insurance, annuities, mutual funds, and retirement

solutions. As of December 31, 2015, it had approximately \$935.2 billion in assets under management and administration.

At today's levels, its stock trades at just 10 times fiscal 2016's estimated earnings per share of \$1.91 and only 8.9 times fiscal 2017's estimated earnings per share of \$2.13, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 93.6 and its sub-industry average multiple of 15.9. It also trades at a mere 0.97 times its book value per share of \$19.51, which is very inexpensive compared with its five-year average market-to-book value of 1.20.

In addition, Manulife pays a quarterly dividend of \$0.185 per share, or \$0.74 per share annually, which gives its stock a yield of about 3.9%. Investors must also note that it has raised its annual dividend payment for two consecutive years, and its recent increases, including its 8.8% hike in February, has it on pace for 2016 to mark the third consecutive year with an increase.

3. Equitable Group Inc.

Equitable Group Inc. ([TSX:EQB](#)) is ninth-largest independent Schedule I bank in Canada with approximately \$17.6 billion in assets under management.

At today's levels, its stock trades at just 6.5 times fiscal 2016's estimated earnings per share of \$7.90 and only six times fiscal 2017's estimated earnings per share of \$8.51, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 7.9 and its sub-industry average multiple of 50.8. It also trades at a mere 1.10 times its book value per share of \$46.57, which is very inexpensive compared with its five-year average market-to-book value of 1.29.

In addition, Equitable Group pays a quarterly dividend of \$0.20 per share, or \$0.80 per share annually, which gives its stock a yield of about 1.6%. Investors must also note that it has raised its annual dividend payment for five consecutive years, and its recent increases, including its 5.3% hike in November 2015, has it on pace for 2016 to mark the sixth consecutive year with an increase.

Which of these financial stocks should you buy today?

Toronto-Dominion Bank, Manulife Financial, and Equitable Group are undervalued and have great dividends, making them ideal long-term investment options. All Foolish investors should take a closer look at each and strongly consider buying one of them today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/17

Date Created

2016/03/22

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