



3 Top Stock Picks for Fundamental Investors

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 after a recent search of the market, I came across three very attractive opportunities. Let's take a quick look at each to determine which would be the best fit for your portfolio.

1. DH Corp.

DH Corp. (TSX:DH) is one of the leading providers of financial technology to the world's financial institutions, including lending, payments, enterprise, and global transaction banking solutions.

At today's levels, its stock trades at just 14.5 times fiscal 2016's estimated earnings per share of \$2.63 and only 13.5 times fiscal 2017's estimated earnings per share of \$2.82, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 26.3 and its industry average multiple of 27.1.

In addition, DH pays a quarterly dividend of \$0.32 per share, or \$1.28 per share annually, which gives its stock a yield of about 3.4%.

Investors should also make two notes.

First, DH has maintained its current annual dividend rate since 2013.

Second, I think its increased amount of net cash from operating activities, including its 12.3% year-over-year growth to an adjusted \$2.83 per share in fiscal 2015, could allow it to announce a significant dividend hike by the end of the year.

2. CI Financial Corp.

CI Financial Corp. ([TSX:CIX](#)) is one of Canada's largest wealth management firms and investment fund companies with over \$142 billion in assets under management and advisement.

At today's levels, its stock trades at just 13.9 times fiscal 2016's estimated earnings per share of \$2.02 and only 12.7 times fiscal 2017's estimated earnings per share of \$2.21, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 19.1 and its industry average multiple of 38.9.

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 4.7%.

Investors should also make two notes.

First, CI Financial 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.

Second, I think the company's increased amount of free cash flow, including its 7% year-over-year growth to \$596.6 million in fiscal 2015, could allow its streak of annual dividend increases to continue going forward.

3. Aecon Group Inc.

Aecon Group Inc. ([TSX:ARE](#)) is one of the largest providers of construction and infrastructure development services in Canada.

At today's levels, its stock trades at just 16.8 times fiscal 2016's estimated earnings per share of \$0.96 and only 14.7 times fiscal 2017's estimated earnings per share of \$1.10, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 38 and its industry average multiple of 21.4.

In addition, Aecon pays a quarterly dividend of \$0.115 per share, or \$0.46 per share annually, which gives its stock a yield of about 2.85%.

Investors should also make two notes.

First, Aecon has raised its annual dividend payment for four consecutive years, and its recent increases, including its 15% hike in March, has it on pace for 2016 to mark the fifth consecutive year with an increase.

Second, I think the company's very strong financial performance, including its 102% year-over-year increase in net income to an adjusted \$1.03 per diluted share in fiscal 2015, and its record backlog of \$3.26 billion at the conclusion of fiscal 2015 will allow its streak of annual dividend increases to continue for the next several years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ARE (Aecon Group Inc.)

2. TSX:CIX (CI Financial)

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Author

jsolitro

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