



2 S&P/TSX 60 Components I Just Added to My Buy List

Description

As investors, we set our sights on outperforming the market each and every year, but our ultimate goal is to outperform the market over the long term. There are many ways you can go about trying to do this, but one of the best and least-risky ways is to buy stocks with great fundamentals. Here are some criteria you could use:

1. The company is a leader in its industry
2. Its stock is undervalued on a forward price-to-earnings basis and it's expected to grow its earnings at a consistent rate
3. It pays a dividend and has an extensive streak of annual increases

I've scoured the S&P/TSX 60 Index and found two components that meet these criteria perfectly, so I've added them to my buy list. Let's take a closer look at each, so you can determine if they belong on your buy list as well.

Telus Corporation

- 1. The company is a leader in its industry*

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is Canada's third-largest and fastest-growing telecommunications company. It provides a wide range of communications products and services, including wireless, data, internet protocol (IP), voice, television, entertainment and video, and healthcare information technology.

- 2. Its stock is undervalued on a forward price-to-earnings basis and it's expected to grow its earnings at a consistent rate*

Telus's stock currently trades at just 16.5 times fiscal 2016's estimated earnings per share of \$2.66 and only 15.4 times fiscal 2017's estimated earnings per share of \$2.76, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 19.4 and its five-year average multiple of 17.6. It's also expected to grow its earnings at a rate of about 6.4% over the long term, making it both a value and growth play.

3. It pays a dividend and has an extensive streak of annual increases

Telus pays a quarterly dividend of \$0.46 per share, or \$1.84 per share on an annualized basis, which gives its stock a yield of about 4.2%, and this yield is supported by its free cash flow.

Investors must also make the following two notes regarding Telus's dividend.

First, its three dividend hikes since the start of 2015, including its 5% hike in May 2015, its 4.8% hike in November 2015, and its 4.6% hike in May of this year, have it on pace for 2016 to mark the 13th consecutive year in which it has raised its annual dividend payment.

Second, it has a dividend-growth target of 7-10% annually through 2019, making it both a high dividend and dividend-growth play.

Magna International Inc.

1. The company is a leader in its industry

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) is one of the world's largest automotive suppliers. It designs, develops, and manufactures automotive systems, assemblies, modules, and components, and it offers a wide range of services such as engineering and complete vehicle assembly.

2. Its stock is undervalued on a forward price-to-earnings basis and it's expected to grow its earnings at a consistent rate

Magna's stock currently trades at just 7.6 times fiscal 2016's estimated earnings per share of US\$5.10 and only 6.7 times fiscal 2017's estimated earnings per share of US\$5.77, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 7.8 and its five-year average multiple of 10.7. It's also expected to grow its earnings at a rate of about 9.6% over the long term, making it both a value and growth play.

3. It pays a dividend and has an extensive streak of annual increases

Magna pays a quarterly dividend of US\$0.25 per share, or US\$1.00 per share on an annualized basis, which gives its stock a yield of about 2.6%, and this yield is supported by its operating cash flow.

Investors must also note that Magna's 13.6% dividend hike in February has it on pace for 2016 to mark the seventh consecutive year in which it has raised its annual dividend payment, making it a dividend-growth play.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:TU (TELUS)
3. TSX:MG (Magna International Inc.)
4. TSX:T (TELUS)

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