



Revealed: 10 of the Cheapest Stocks in Canada

Description

There's a reason why many of the world's top money managers are value investors. It works.

In 1984, Warren Buffett highlighted the performance of nine "superinvestors," folks that used the same basic value investing principles to post stunning returns. Sure, these investors may have held overlapping positions at certain times, but they all followed the same general rules of value investing. Specifically, they looked to buy \$1 worth of assets for \$0.50.

That's value investing in a nutshell. Investors are either buying assets or an earnings stream at a discount.

There's a very simple way regular folks can get started with value investing. All they need to do is use a stock screener to identify ultra-cheap stocks.

Research goes much further than that, of course. Investors must also be comfortable with the risks these companies come with. In other words, there's a reason why they are so inexpensive.

Here's a list of 10 of Canada's cheapest stocks on a price-to-book-value basis to get you started.

Real estate

Several of the country's biggest bargains are owners of real estate.

Mainstreet Equity Corp. ([TSX:MEQ](#)) is one. It has a book value of \$588 million, while shares have a market cap of \$282 million. Or to put it another way, shares trade hands at \$32.40 each, while book value is \$66.21. That is a massive discount.

Mainstreet's management is quite aware of this, spending nearly \$50 million in 2016 to buy back shares.

Another cheap real estate company is **Morguard Real Estate Inv.** ([TSX:MRT.UN](#)), a company currently trading at \$14.43 per share with a book value in excess of \$26. The company pays a 6.7%

dividend. And, like Mainstreet, it is buying back shares, spending more than \$25 million to do so in 2015 and 2016.

I wrote more about Morguard [here](#).

Melcor Developments Ltd. ([TSX:MRD](#)) is a real estate developer and manager also trading at a huge bargain versus the value of its assets. The company's share price is \$14.07, while book value is \$29.19 per share. It also trades at less than 11 times trailing earnings and pays a well-covered 3.4% dividend.

If we're talking about cheap real estate, I'd be amiss to not mention **Hudson's Bay Co** (TSX:HBC), the iconic retailer that has all sorts of valuable property on its balance sheet. Management thinks the company's real estate alone is worth \$36 per share — almost three times as much as the current share price.

Oil

Even though many energy stocks have done well lately, there are still some incredibly cheap oil stocks out there.

Athabasca Oil Corp. ([TSX:ATH](#)) just announced a deal to buy \$832 million worth of assets with expected operating income of \$100 million in 2017. Even excluding that deal, Athabasca shares were cheap, and the company had a \$2.3 billion book value on September 30. It's current market cap is still under \$900 million.

Even after spending much of the last two years selling off assets, **Penn West Petroleum Ltd.** (TSX:PWT)(NYSE:PWE) is still a great value. Book value is \$4.93 per share; the company currently trades at \$2.32.

Bellatrix Exploration Ltd. (TSX:BXE)(NYSE:BXE) is also super cheap with a book value of \$3.49 per share versus a share price of \$1.23

Gold

Even after a relatively good first half of 2016 for gold, the commodity tanked in the second half of the year. There are still a number of very cheap gold companies.

Argonaut Gold Inc. ([TSX:AR](#)) is one. The debt-free producer has a book value of \$4.79 per share — a big premium versus its \$2.08 per share market value. And remember, Argonaut traded above book value as recently as September.

The story is much the same at **Dundee Precious Metals Inc.** ([TSX:DPM](#)) and **Yamana Gold Inc.** ([TSX:YRI](#))(NYSE:AUY). Yamana trades at \$3.72 per share and boasts a book value of \$6.97, while Dundee trades at a 62% discount versus its book value of \$5.63 per share.

The bottom line

Value investing isn't as easy as rushing out and buying the cheapest stocks. Investors must analyze any stock that looks cheap on the surface to get the full picture.

Still, looking at companies that are very obviously a great value is a nice place to start. Often, the best bargains are hiding in plain sight.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. TSX:AR (Argonaut Gold Inc.)
3. TSX:DPM (Dundee Precious Metals Inc.)
4. TSX:MRT.UN (Morguard Real Estate Investment Trust)
5. TSX:YRI (Yamana Gold)

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