2 Undervalued S&P/TSX 60 Constituents Yielding Over 3.5%

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

I've scoured the S&P/TSX 60 Index and selected two constituents that meet these criteria perfectly, so let's take a closer look at each to determine if you should invest in one of them today.

Sun Life Financial Inc.

1. The company is a leader in its industry.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) is one of the world's largest international financial services organizations with approximately $927.28 billion in assets under management and administration as of March 31. It provides a wide range of insurance, wealth, and asset management solutions to individuals and corporate clients around the world.

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

Sun Life's stock currently trades at just 11.5 times fiscal 2017's estimated earnings per share of $3.96 and only 10.6 times fiscal 2018's estimated earnings per share of $4.31, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 16.4. It's also expected to grow its earnings at a rate of about 6.8% over the long term, making it both a value and growth play.

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

Sun Life currently pays a quarterly dividend of $0.435 per share, equal to $1.74 per share annually, which gives its stock a yield of approximately 3.8% at today's levels. It has also raised its annual dividend payment for two consecutive years, and its recent hikes, including its 3.6% hike last month, have it positioned for 2017 to mark the third consecutive year with an increase.

Toronto-Dominion Bank

1. The company is a leader in its industry.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is the largest bank in Canada as measured by assets with approximately $1.25 trillion in total as of April 30. It offers financial products and services to clients in Canada, the U.S., and around the globe.

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

TD's stock currently trades at just 12.3 times fiscal 2017's estimated earnings per share of $5.34 and only 11.5 times fiscal 2018's estimated earnings per share of $5.70, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13. It's also expected to grow its earnings at a rate of about 8.3% over the long term, which makes it both a value and growth play, just like Sun Life Financial.

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

TD currently pays a quarterly dividend of $0.60 per share, equal to $2.40 per share annually, giving its stock a yield of about 3.7% today. It has also raised its annual dividend payment for six consecutive years, and its recent hikes, including its 9.1% hike in March, have it on pace for 2017 to mark the seventh consecutive year with an increase.

Which of these top stocks belongs in your portfolio?

I think Sun Life Financial and TD Bank represent two of the best long-term investment opportunities in the market, so take a closer look at each and strongly consider making one of them a core holding today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:SLF (Sun Life Financial Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

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