2 Foreign Stocks With Lots of Growth Potential That Can Diversify Your Portfolio

Description

You can diversify your portfolio by owning a mix of companies in various industries, but one often overlooked option is geographical diversification. If you have investments across many sectors in Canada then you are still dependent on the success of the Canadian economy, and a recession could hurt all industries.

Having investments outside the country will help to minimize some of that risk, and that is why I am going to take a look at two foreign stocks (traded on the TSX) that could be great options to diversify your portfolio with.

Inovalis Real Estate Investment Trust (TSX:INO.UN) invests in real estate properties in France and Germany, totaling almost 1.5 million square feet. The locations average an occupancy rate of 96%, and only two properties are at less than 98%. Inovalis has focused on investing in real estate that is in highly desirable areas by ensuring its properties are close to city centres, transit, and shopping.

The REIT has only been listed on the TSX since 2013, and in that time it has seen its stock price fluctuate with overall returns totaling just over 1%. Growth of REITs is typically not sudden and takes some time, which is what we have seen from Inovalis. Sales of $31 million in 2016 were up 4% from the previous year but have grown a total of 33% in two years. In its most recent quarter, the company has seen stronger growth with sales up 10% year over year.

Strong margins make Inovalis a good value investment

The company has been able to post very strong profits with margins in 2016, representing 75% of revenue, and Inovalis has also grown its bottom line by 40% in just two years. Strong profit growth has enabled the company to trade at a multiple of just 11 times its earnings, and compares well against **Canadian REIT** (TSX:REF.UN), which trades over 22 times earnings, and **H&R Real Estate Investment Trust** (TSX:HR.UN), which is at a multiple of 12.

Fairfax India Holdings Corp. (TSX:FIH.U) also has a short history on the TSX, as it was only listed back in 2015. However, returns for the stock have been much more significant than Inovalis has seen, with an overall return of 82%. Fairfax's goal is capital appreciation, and it does this through investments in Indian businesses. Some companies that Fairfax has invested in include a financial services company, a specialty chemical manufacturer, and it even has a significant stake in the Bangalore International Airport.

The company offers lots of growth potential

The company itself already has a lot of diversification in the Indian economy, so it will give you a balanced portfolio into one of the world's largest countries. Fairfax is already showing strong growth with sales in its most recent year doubling from 2015, and profits have averaged 75% of revenue during the past two years. In the company’s latest quarter, sales were up tenfold from a year ago, and net income of $38 million rose to $268 million.

Good value offered by the stock price

With the share price trading at just five times its earnings, along with a price-to-book multiple of just 1.3, Fairfax offers a great option for value investors. Typically, high-growing companies trade at much higher multiples, so this could be an excellent opportunity to buy early before the stock takes off.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
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Date
2025/08/26
Date Created
2017/10/11
Author
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