3 Dirt-Cheap TSX Value Plays

Description

Value investing isn't the most popular investing philosophy these days. Between "Bitcoin mania" and a new "dotcom boom," growth-based approaches have overshadowed value philosophies.

Still, there are good reasons to consider adding some value stocks to your portfolio.

The genius of value investing is that it's most effective when the stock market isn't doing well. And with the year-to-date return for the TSX hovering at around 2%, this may be a great time for Canadian investors to explore value plays.

In this article, I'm going to introduce three potentially undervalued stocks on the TSX. Keeping with the title of the article, I'm going strictly by value metrics, so these aren't necessarily the fastest-growing stocks around. Nonetheless, most of them have attractive qualities beyond the low P/E ratios.

Genworth MI Canada Inc. (TSX:MIC)

Genworth MI Canada is a partially owned subsidiary of the U.S. company **Genworth Financial.** It's also a TSX component, and the largest private mortgage insurer in Canada. Genworth MI Canada has a P/E ratio in the single digits, and an above-average dividend yield of 4.29 (at the time of this writing). The company has also seen strong price gains in the past 12 months, making it a rare value play that also has attractive growth figures.

As a recent fool.ca article notes, Genworth MI Canada is seeing strong growth in net income and a decline in losses on claims. These numbers paint a rosy picture for not only the company, but also its investors.

Capital Power Corp. (TSX:CPX)

Capital Power is an energy company based in Edmonton. It generates power from several different sources, most notably wind, solar, and natural gas. The company owns assets in both Canada and the U.S.

Capital Power has many qualities that make it a strong value pick, including a moderately low P/E ratio of 19.49 and a *very* low price-to-book ratio of 0.89 (as of July 10). The company also offers a significantly above-average dividend yield, making it worth considering as a long-term value investment.

Canadian Western Bank (TSX:CWB)

Canadian Western Bank is a financial stock that has seen significant growth in the past 12 months. With a P/E ratio of around 13 and a price-to-book ratio of 1.43 (at the time of this writing), the company has strong value metrics.

Canadian Western Bank is involved in personal and commercial banking. Through subsidiaries, it offers high-interest savings accounts, GICs, mutual funds, and mortgage services. The company also has subsidiaries that operate outside traditional banking sectors, such as commercial equipment leasing. Canadian Western Bank's diversified operations position it to thrive in bull *and* bear markets.

And as a recent fool.ca article pointed out, the company's base in Alberta makes it a non-energy stock that could benefit from higher oil.

Summing up

All three stocks mentioned in the article outclass the TSX average by common value metrics. Some of them also offer strong growth rates, price appreciation, and dividend yields. Any one of them is worth considering for long-term, value-oriented Canadian investors.

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