



3 Top Value Stocks to Buy Right Now

Description

As a conservative value investor, I'm always on the lookout for quality stocks with low P/E ratios. I do this because studies show that low P/E stocks outperform over the long run and low P/E stocks tend to come from stable industries with relatively tame volatility.

All things being equal, it's far better to pay a low price for a company's earnings than a high one. And the P/E ratio is pretty good indicator of that.

So, without further ado, here are three low P/E stocks that I find particularly attractive.

Insured opportunity

Our first value play is **Fairfax Financial Holdings** ([TSX:FFH](#)), whose shares currently sport a trailing P/E of 7.0. After reaching a 52-week high of \$789 per share in mid-June, the insurance holding company has fallen about 15%.

Insurance stocks as a whole have slumped in recent months. But Fairfax, which is [run by Chairman and CEO Prem Watsa](#) (often referred to as the Warren Buffett of Canada), seems to be clicking on all cylinders. In Q2, the company posted excellent underwriting results with a combined ratio of 96.1%. Moreover, operating income clocked in at a very solid \$237 million.

Fairfax continues to boast a sound balance sheet, boasting cash and short-term securities that exceed \$2 billion. When you couple that fundamental strength with its low P/E, Fairfax shares look too good to pass up.

Real estate riches

Next up we have **H&R Real Estate Investment Trust** ([TSX:HR-UN](#)), which currently has a trailing P/E ratio of 8.4. Over the past year, shares of the diversified REIT are down 11% versus a loss of 2% for the **S&P/TSX Composite Index**.

The threat of rising interest rates has weighed heavily on H&R, but there's good reason to remain bullish.

In Q2, the company's property operating income increased 5% to \$201 million. Meanwhile, management continued to make strides in its goal of streamlining the portfolio, selling 63 lower growth U.S. retail assets for \$633 million.

Along with a low P/E, H&R sports a mouth-watering dividend yield of 7.1%. With solid operating momentum and a comfy payout ratio of 79% to back it up, H&R is a high-yield play worth checking out.

Undervalued assets

Our final value stock this week is **CI Financial** (TSX:CI), whose shares currently have a trailing P/E of 8.7. The embattled asset manager has plunged 32% over the past year, while the **S&P/TSX Capped Financial Index** is down just 2% over the same period.

CI has been plagued by a steady decline in assets under management (AUM), increased mutual fund regulations, and a boost in demand for robo-advisors. But on the bright side, the company remains a cash cow — and a rather fat one at that.

Over the first six months of 2018, CI generated \$330 million in free cash flow — a record for the company. And with its mammoth cash flow, CI continues to aggressively buy back shares as they, in management's words, "offer such compelling value." With its low P/E and beaten-down stock price, [it's tough to disagree](#).

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CIX (CI Financial)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/02

Date Created

2018/10/11

Author

bpacampara

default watermark