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 a 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 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 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
2025/08/17
Date Created
2018/10/11
Author
bpacampara