



These Might Be the Best 3 Stocks You've Never Heard Of

Description

Canada's largest companies get all the love, and rightfully so.

They have all sorts of advantages over their smaller brethren. Management of a mega-cap stock will have their choice of bankers on speed-dial. They have certain economies of scale, which further cements their status as kings of their industries. And while constant investor attention can be both a blessing and a curse, most of the time it's helpful.

In fact, many investors will only invest in Canada's largest companies. They paint all small-cap stocks as risky.

This attitude creates a fantastic opportunity in some of Canada's smaller stocks. Many of these companies take this a step further and don't bother to seek additional attention. They quietly chug along focusing on delivering results, not selling themselves to a new batch of investors.

These are the kinds of companies you want to own over the long-term; the only problem is finding them. You won't see these forgotten businesses organizing an investor awareness campaign. Their CEOs aren't going on TV, either. In other words, you'll need to turn over a few rocks.

Let us help. Here are a few of Canada's best stocks you've never heard of.

E-L Financial

Despite having a market cap more than \$3 billion, **E-L Financial Corp Ltd.** ([TSX:ELF](#)) gets hardly any attention.

The stock is tightly held by the Jackman family, with various members of the clan owning some 73% of the shares outstanding. Despite being comfortably billionaires, the family doesn't seek much attention. They quietly run the business and contribute to various charities.

One E-L Financial share trades hands for \$800, which does little to encourage liquidity. Combine this with the high insider ownership and we have a situation in which a mere 550 shares trade hands on a

given day.

Investors should start paying more attention. Shares trade at 64% of book value despite the company growing that book value by an average of 12.7% since inception in 1969. Various catalysts could also send shares higher, such as a sale of Empire Life, one of the holding company's biggest assets.

Morguard

Morguard Corporation ([TSX:MRC](#)) gets almost no attention despite a fantastic track record and some \$21 billion worth of real estate assets under management.

Morguard has plenty in common with E-L Financial. It features a high share price (\$184 at last glance), a secretive CEO that stays out of the spotlight (K Rai Sahi, who is comfortably a billionaire), and a somewhat complex operating structure. Morguard owns big stakes in two publicly traded REITs, including **Morguard REIT** and **Morguard North American Residential REIT**, as well as a smattering of other real estate assets.

The bull case here is obvious. Book value stands at \$285 per share. Management continues to buy back its own shares and Morguard REIT shares, as both stocks trade comfortably under book value. And funds from operations should hit \$20 per share this year, putting the stock at just 9 times that metric. You won't find many real estate stocks that trade at a cheaper valuation.

Polaris

Many investors hate **Polaris Infrastructure Inc.** ([TSX:PIF](#)) because its main asset is a geothermal power plant located in Nicaragua, an area of the world not exactly known for stability.

The plant is a great asset. Thanks to various expansion projects, it now churns out cash flow with only minimal maintenance expenditures. These cash flows are passed back to investors in the form of very generous dividends. Shares currently pay a 6.25% yield and trade at approximately 10 times trailing free cash flow. The company also trades at a discount to its book value.

An interesting new development is Polaris' move into Peru. The company announced an acquisition of certain hydroelectric assets in the country, including a number of planned projects. Shares rallied some 25% on the news as investors welcomed the diversification away from a risky region.

The bottom line

These three stocks all trade at absurdly cheap levels, mostly because many investors have never heard of them. This creates a perfect opportunity to get in now and then exit when the rest of the market wakes up.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ELF (E-L Financial Corporation Limited)

2. TSX:MRC (Morguard Corporation)
3. TSX:PIF (Polaris Renewable Energy)

PARTNER-FEEDS

1. Msn
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