



3 Dirt-Cheap Financial Stocks to Buy Now

Description

Hello again, Fools. I'm back to highlight three attractive, low P/E stocks. As a quick reminder, I do this because the most reliable wealth is made by buying solid companies

- when they're [trading below intrinsic value](#); or
- when the risk/reward trade-off is particularly favourable.

The P/E ratio isn't perfect — no metric is. But it remains [one of the best and simplest ways](#) to measure value (the lower, the better).

This week, we'll look at three cheap stocks within the wide-moat financial services space.

The great life

Kicking off our list is **Great-West Lifeco** ([TSX:GWO](#)), which has a forward P/E of nine. Shares of the insurance giant are down 15% over the past year versus a slight 1% loss for the S&P/TSX Capped Financials Index.

Great-West seems to be turning a corner. The stock is up nearly 2% today after posting a Q4 profit of \$710 million. Management also upped its quarterly dividend to \$0.413 per share from \$0.389 per share.

"We enter 2019 with significant excess capital, which will be further bolstered by \$1.6 billion from the sale of our U.S. life and annuity business," CEO Paul Mahon said. "This positions us to actively consider acquisition opportunities to drive growth and long-term value."

When you couple the stock's low P/E with a healthy dividend yield of 5.7%, I wouldn't hesitate to bet on that bullishness.

Bouncing back

Next up, we have **iA Financial** ([TSX:IAG](#)), whose shares sport a forward P/E of 11. After steadily

plunging throughout 2018, the insurance company is already up 12% in 2019 versus a gain of 9% for the S&P/TSX Capped Financials Index.

Fueling the stock's recent rebound are strengthening fundamentals. In the most recent quarter, EPS increased 11% to \$1.50 while its trailing 12-month return on equity (ROE) clocked in at 12%.

"Our results this quarter and indeed for the year to date show that the fundamentals of our business are solid," said President and CEO Denis Ricard. All lines of business are focused on executing business strategies while delivering on its commitments to EPS growth.

iA also has a healthy dividend yield (3.4%) to go along with its cheapish P/E, so the risk/reward trade-off is highly attractive.

Powerful pick

Rounding out our list is **Power Corporation of Canada** ([TSX:POW](#)), which boasts a forward P/E of eight. Shares of the diversified financial services are up 8% in 2019, right in line with the S&P/TSX Capped Financials Index.

Power Corp might not be a household name, but it has a long track record of shareholder friendliness. Over the past 10 years, the company has grown its dividend by 50%, doling out over \$5 billion in total dividends. Moreover, the stock has delivered an annualized shareholder return of 12% over the past 30 years, easily topping that of the S&P/TSX Composite Index.

Currently, the stock sports an attractive dividend yield of 6.2% as well as a cheapish price-to-book ratio of 0.9.

The bottom line

There you have it, Fools: three cheap financial stocks worth checking out.

As always, don't view them as formal recommendations. Instead, they're just a starting point for more research. It's very easy to fall into "value traps," so plenty of due diligence is still required.

Fool on.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:IAG (iA Financial Corporation Inc.)
3. TSX:POW (Power Corporation of Canada)

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