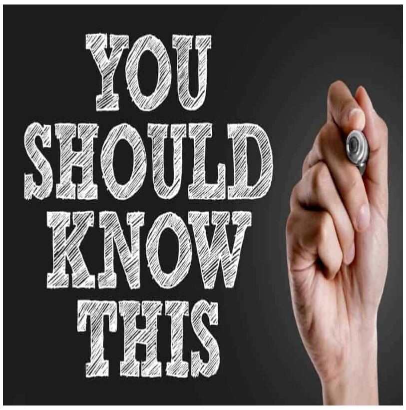

RRSP Investors: 3 Undervalued Stocks to Buy Today

Description

After the **TSX Composite Index** has rocketed up 9% thus far in 2019, many discouraged investors are content to sit on the sidelines, convinced they've missed out on the majority of 2019's total returns.

That may well be true. After all, neither I nor anybody else really has any idea what the rest of 2019 has in store for Canada's top stocks. Perhaps we're in for another year like 2018, when stocks performed well through most of the year before dipping during the last quarter. Perhaps other factors will push stocks down sooner than that. Or maybe we're just in the beginning of a great year.

The point is the only thing individual investors can control is investing in great companies trading at reasonable prices. As long as you get that part right, the rest will take care of itself over the long term.

Here are three great Canadian names that are still trading at depressed valuations, perfect stocks to stick in your RRSP.

Laurentian Bank

Despite delivering solid profit numbers, **Laurentian Bank of Canada** (TSX:LB) still can't get the respect it deserves.

The company reported full-year fiscal 2018 results in December and the bottom line was solid. Earnings per share came in at $5.11, while revenue was up approximately 5% for the year. This puts shares at just 8.6 times forward earnings, making it much cheaper than its larger competitors. Laurentian also trades comfortably under book value, which has traditionally been a good time to buy.

Analysts don't predict much earnings growth in 2019, but this is by design. Rather than aggressively lending, Laurentian is hoarding more cash on its balance sheet and waiting for other opportunities. This could culminate in a big acquisition or perhaps a buyback of undervalued shares.

In the meantime, investors are getting a 5.9% dividend, a payout that was just recently hiked.

Northview Apartment REIT

Despite a stellar performance over the last three years — shares have nearly doubled once you include dividends — I still think **Northview Apartment REIT** (TSX:NVU.UN) is a decent value today.

Northview focuses on different areas than its peers, which means that its portfolio of 27,000 apartments, 344 executive suites, and 1.2 million square feet of commercial space is more concentrated in Northern Canada (27% of net operating income) and Atlantic Canada (14% of net operating income). Less competition means better returns on investor capital.

The stock has consistently traded at a discount to its peers. At the end of 2018, it traded at just 14 times 2019's expected adjusted funds from operations, versus anywhere from 19 times to 30 times for its peers. And Northview trades at approximately its net asset value, while its peers consistently trade at a premium.

This leads to a consistently higher dividend yield; the current payout is an enticing 6%.

Dollarama

Even after ratcheting down growth expectations, **Dollarama Inc.** (TSX:DOL) is still an excellent company trading at a value price.

I'm not entirely sure Dollarama's days of high growth are behind it, either. There's still potential to add hundreds of new stores to the company's 1,200+ locations today. It has barely cracked online sales. And it has the option of acquiring Dollar City, a rapidly expanding chain of dollar stores in Latin America.

Many investors tend to avoid retail stocks, convinced the sector is nothing but a race to the bottom. The cheapest seller always wins. But Dollarama is a little different because its small store size allows it to be more selective. The company has been able to maintain 37-39% gross profit margins, while other retailers only get 20-25% gross margins.

Despite this unique moat and still plenty of growth potential, Dollarama shares trade hands at less than 17 times forward earnings expectations, which is a very reasonable valuation.

CATEGORY

1. Bank Stocks
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3. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:LB (Laurentian Bank of Canada)

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