



Revealed: 3 Great Stocks I'm Buying During the Next Downturn

Description

What's a value investor to do when stocks are bumping up against all-time highs?

There are two schools of thought here. The first is we should just keep on buying, knowing that an ever-growing economy means stocks will often be at fresh highs. As long as investors put their cash to work in great companies trading at a reasonable price, they'll do fine over the long term.

But some investors take a different approach. They accumulate cash on their personal balance sheet, putting it aside for when stocks go on sale. Once the market declines 10-15%, they go shopping, patiently loading up on names that become undeniably cheap.

Here are three great stocks I've put on my shopping list — names I'll load up on the next time the market takes a major dive.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest telecom, boasting some 19 million total wireless, cable, internet, and home phone customers. The company also owns a large media division, which has an interesting array of assets, including Canada's top television stations, dozens of radio stations, and ownership stakes in some of North America's most valuable sports franchises.

Back in October, BCE shares were trading at a 52-week low, tumbling all the way down to \$51 each. I took advantage of the weakness and loaded up, making the boring, old telecom one of my biggest positions. Shares have since rallied nicely, surpassing \$60 each. Not a bad return over seven months.

There's just one problem. Shares aren't exactly a great buy today. I'd argue the company is probably in a fair-value range today, with shares trading at 17 times forward earnings expectations. Perhaps I'm greedy, but I'd rather buy at the 14-15 times earnings level.

Investors who buy today are getting a 5.1% dividend yield, combined with dividend-growth potential likely in the 4-5% annual range. That's not a bad choice for passive-income lovers everywhere; I'd just

hold out for a slightly better yield before putting my cash to work.

First National

First National Financial ([TSX:FN](#)) has quietly made investors rich over its life as a publicly traded company, including posting a stellar 21.54% annual return (including reinvested dividends) during the last decade. That's enough to grow a \$10,000 investment made back in 2009 into one worth more than \$70,000 today.

The country's leading non-bank mortgage lender shows no signs of letting up, either. Sure, mortgage volumes are down lately because of government-mandated stress tests slowing down first-time homebuyers and weakness in some major markets — namely Vancouver — but First National's business model of offering low rates through mortgage brokers will always prove to be popular. And it makes a steady income, servicing all the mortgages it currently has under administration.

Although shares only trade at 11 times forward earnings and offer a 5.9% yield, I'm confident the company will, at some point, get cheaper than today's levels of \$32/share. And when that happens, I'll be there loading up on shares for my portfolio.

Great Canadian Gaming

I last covered **Great Canadian Gaming** ([TSX:GC](#)) back in November, telling investors [the stock had upside potential of at least 50%](#) on the back of a big new acquisition of casinos in the Greater Toronto Area. Shares traded at just over \$42 each when I penned that piece; they've jumped up to nearly \$53 since — a return greater than 25%.

While I'm certain the stock still has great long-term potential, I'd still like to get in at a lower level than today's price. One reason why is the company doesn't pay a dividend, despite posting healthy profit margins and plenty of free cash flow. Management's decision to focus on growing the business is fine, but it makes buying at a fair price extremely important for investors. We can't patiently collect a dividend while waiting for the share price to increase.

If shares traded back to the \$45 range, investors would be picking them up at a forward P/E of just over 15 times. That would be an excellent price to pay for a great company.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:FN (First National Financial Corporation)

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