



3 Value Stocks to Buy This Summer

Description

It's always a good time to buy value stocks. That's because buying a company for less than it's worth is typically a winning bet.

As stock markets surge, however, it can be difficult to find truly under-priced stocks. We've done the work for you by uncovering three promising investments that look cheap with plenty of upside.

Start big

At \$46 billion, **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) is solidly in large-cap territory, but that doesn't prevent it from becoming a bargain now and then.

Over the past 12 months, shares have lagged the **S&P/TSX Composite Index** by around 7%. That's bumped the dividend up to 4.2% while pushing the valuation down to just 9 times trailing earnings.

Today, the stock is cheaper than many of its large financial peers while also sporting a higher dividend. **Royal Bank of Canada**, for example, trades at 12 times trailing earnings with a 3.9% dividend.

Looking ahead, expectations are incredibly low. Despite averaging 11% in annual sale growth over the last five years, analysts expect flat growth over the next few years.

You won't get rich overnight with Manulife, but buying cheap, reliable stocks with low expectations like this one often proves a market-beating strategy.

Go small

Chemtrade Logistics Income Fund ([TSX:CHE.UN](#)) isn't a stock many investors know, which is likely the reason shares are so cheap.

The stock trades at the same price it did back in 2001, but the annual 10% dividend has led to reliable results that consistently outperform the market.

Since the start of 2018, shares have been cut in half, pushing the dividend yield up to 13.3%. While the payout may seem aggressive, keep in mind that Chemtrade has paid the same \$0.10 per share monthly dividend for more than a decade. It's never reduced or eliminated the payout.

While the market has overreacted due to a surprise loss, the underlying businesses are still generating plenty of cash to support the dividend. This year, management expects to produce \$335 million to \$375 million in EBITDA. The dividend only costs the company around \$110 million per year.

The share price reached current levels in 2006, 2007, and 2009. In every scenario, buying shares would have resulted in 10% annual gains for more than a decade. This latest opportunity looks no different.

Boom or bust

Value stocks are often characterized as low-risk, especially compared to hyper-growth companies, but there are still plenty of ways to find opportunities with massive upside. **Maxar Technologies Inc** ([TSX:MAXR](#))([NYSE:MAXR](#)) is a perfect example.

In 2017, Maxar was worth more than \$3 billion. Today, it's valued at just \$360 million. What happened?

The company states that it specializes in manufacturing "communication, earth observation, radar, and on-orbit servicing satellites." In a nutshell, it makes high-tech space stuff.

Judging by the rise of SpaceX and Blue Origin, not to mention renewed interest in NASA, this is a great business to be in.

The problem hasn't been the company's ability to garner new contracts, but rather its accounting practices. Several notable investors recently charged the company with cooking the books in order to mask weak fundamentals.

The story is still playing out and the market remains in wait-and-see mode. One thing is certain, though: Maxar stock is either worth significantly more or significantly less than its current market price.

This is a non-traditional value stock with plenty of downside, but if accounting concerns subside, shares should have multi-bagger potential.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)

2. TSX:CHE.UN (Chemtrade Logistics Income Fund)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SXP (Supremex)

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