Why TSX Stocks May Be a Better Bet Than the S&P 500 in the 2020s

Description

Unless you were fortunate enough to bag one of the **TSX**'s top performers of the 2010s (I recommended a few of them over the last several years), the **TSX Index** was a pretty unrewarding place to invest compared to the **S&P 500**. Many Canadians that I've spoken with have mostly given up on Canadian stocks, opting for U.S.-traded stocks in spite of the currently unfavourable exchange rate.

While it's easy to chase where the returns are, investors need to heed the timeless piece of advice that many financial advisers repeat ad nauseam: *"Past performance is no guarantee of future results."*

In the case of the **TSX Index** versus the **S&P 500**, Canadian investors should seek to incorporate more TSX-traded stocks in their portfolio given the now pronounced discrepancy in valuations.

The TSX has underperformed, largely due to an overweighting in some of the unsexiest sectors over the last decade (I'm looking at you, commodities and materials!), but even the great businesses such as the outperforming consumer staple stocks are modestly valued relative to their American counterparts.

If you consider yourself a value investor, Canada may be the place to invest in the new decade. While I'm not an advocate of cigar-butt investing, I *am* a fan of the valuations of some of the better-performing businesses that don't receive as much attention from the mainstream media relative to their peer to the south.

Consider shares of **Bausch Health Companies** (TSX:BHC), one of Canada's rare pharma plays that's continuing to distance itself from its troubled past.

While Valeant received no shortage of coverage from the financial media during its days as Valeant under the infamous CEO Michael Pearson, most have completely forgotten about the name that's since staged a partial recovery.

Sure, the company's past is tainted with a considerable amount of debt weighing down the balance sheet. Still, for those looking for deep value, it's tough to match Bausch at this juncture under its new CEO Joe Papa, who's done an outstanding job of turning the ship around thus far.

New management, incredible assets, and a promising drug pipeline are what you're getting with Bausch. And the best part is you don't have to pay a premium price tag at today's levels — likely because most U.S. investors have forgotten of the company or assumed it's one of many infamous Canadian companies that ended up dying.

Bausch is a brand new company, however. It still sports a dirt-cheap multiple despite clocking in some applause-worthy results that were well covered by Karen Thomas, my colleague here at the Motley Fool. In a nutshell, Bausch recorded better-than-expected growth and raised its guidance (again).

Karen notes that Bausch has a "goldmine of products and competencies," and I think she's right on the money. The stock currently trades at 1.2 times sales and six times next year's expected earnings, which is absurd given the calibre of business you're getting for the price.

Look past the company's dark history because, over time, the now undeserved stigma will fade, and it'll ultimately be the results that will dictate the trajectory of the stock.

For now, Bausch is a hidden Canadian gem that's hidden in the depths of the TSX, and it could be one of many Canadian outperformers that could put pricier U.S. stocks to shame in the 2020s.

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