



Revealed: 2 Great Canadian Stocks I'm Buying for My Portfolio Today

Description

My portfolio strategy is simple. I load up on great Canadian stocks and then hold these companies for the long term, collecting dividends the whole time. Hopefully, when it's all said and done, the focus on quality operators will translate into superior long-term returns.

Unfortunately, as all experienced investors know, it's not quite that simple. Identifying quality is often easier said than done. New technology can come to market and penetrate what previously looked to be a bulletproof competitive advantage. And we've just seen how unforeseen circumstances can impact previously strong names, although it looks like this will just be a blip on the long-term radar.

Let's take a closer look at two great Canadian stocks I've been buying for [my portfolio](#) — names I'm happy to be buying at big discounts compared to just a few weeks ago.

Bank of Montreal

When investors think of great Canadian stocks, our banks are usually pretty high on that list. After all, they enjoy a dominant market share, the backing of the federal government, and, in some cases, a couple of centuries of success.

While I think each of the five main Canadian banks is a screaming buy today, I've been adding to **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) recently. Here's why.

Firstly, let's talk about the company's valuation. Shares currently trade at just 8.4 times 2019's earnings. Yes, I realize trailing earnings don't mean a whole lot today, but I also believe the company can easily replicate 2019's earnings in 2021 or 2022. Shares are cheap from a dividend yield perspective, too. Shares currently yield 5.7%, while the typical yield was closer to 4% before the world got turned upside down.

Yes, earnings will be impacted over the short term. But large banks like BMO will ultimately benefit from any recession. Tough economic times will be especially difficult for many of the bank's competitors, especially in the so-called fintech space. Canada's top banks will eventually benefit from

this.

With shares down some 30% from the stock's 52-week high, now is a great time to load up on a great Canadian stock like BMO.

Extendicare

One of the hardest parts of the COVID-19 impact on the world has been reading about how the virus has ravaged seniors homes. It's a devastating situation for everyone involved, including the victims themselves, but also staff who work at these facilities and family members who have to constantly worry about their loved ones.

This has impacted Canada's largest seniors living stocks, and in a big way. This has created a buying opportunity in these great Canadian stocks.

Personally, I'm buying more **Extendicare** ([TSX:EXE](#)), as shares of Canada's largest long-term-care operator plunge to levels not seen since 2013. In fact, shares are now lower than they were a decade ago.

There are two main reasons why I'm bullish on Extendicare over [the next couple decades](#). Firstly, demand for all types of seniors housing should continue to be strong over the medium to long term. There's a huge glut of baby boomers in Canada, and most of these folks will end up in some sort of seniors housing.

Extendicare is also expanding away from long-term care. The company is building retirement residences that require a lower level of care. It also has a robust home healthcare division. And it continues to leverage its management expertise in interesting ways.

Shares also trade at a very reasonable valuation, with the stock just a hair above 10 times adjusted funds from operations — the metric the company uses instead of traditional earnings. The dividend yield also implies a low valuation, with shares paying a succulent 7.6% yield. The typical payout is closer to 6%.

The bottom line on these two great Canadian stocks

If you're looking to add temporarily cheap great Canadian stocks to your portfolio, you're in luck. There are dozens of inexpensive stocks trading on the Toronto Stock Exchange today that look to be screaming buys.

I've added Bank of Montreal and Extendicare shares to my portfolio recently. Perhaps you might want to do the same.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:EXE (Extendicare Inc.)

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Date

2025/08/14

Date Created

2020/04/15

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