2 TSX Stocks That Could Set You Up for Life

Description

The best time to “buy-the-dip” was in March when many great stocks truly hit rock bottom. Investors who bought into the right companies at that time (those that recovered swiftly) experienced 30% or 40% capital growth in a matter of months. While many stocks have grown up substantially from their rock bottom prices, there is still time to benefit from the market crash.

Not every sector is showing the same signs of recovery. Financial institutions, energy, and real estate are still struggling. Some stocks are slow to recover even outside these sectors and haven’t gotten to their pre-crash values yet. Out of several such stocks, two that caught my eye are **Killam Apartment REIT** (TSX:KMP) and **Clairvest Group** (TSX:CVG).

An apartment REIT

Killam has been one of the steadiest growth stocks in the real estate sector for the past five years. This Nova Scotia-based company has a regionally diversified portfolio of apartment buildings in nearly all major cities. It also maintains a portfolio of manufactured home communities and seasonal resorts. But the bulk of the company’s income is from rents. The total portfolio is worth $3.4 billion.

Despite the pandemic-driven disruptions, Killam’s first-quarter results seem promising. Compared to the first quarter last year, Killam increased its net operating income by 13.4%, funds from operations by 4.8%, and net income by $11.4 million. The company offers a decent return on equity of 20.3% and a very high net income margin of 118.9%. Currently, it is trading at $16.5 per share, which is 29% down from its pre-crash peak.

Killam also pays monthly dividends. It has increased its dividends four times in the past five years and is offering a juicy 4% yield at a stable payout ratio of 22.1%. Killam’s 10-year compound annual growth rate comes out to 12.39%. If it can maintain that growth rate, a $20,000 investment can make you a millionaire in 35 years, effectively setting you up for life.

An equity management firm

Clairvest is a $676 million equity management company, with just $3.9 million of debt on its books. The company is currently managing six different funds. Clairvest owns some of the companies wholly, while it has limited partnerships in others. Their motto mimics the wizard of Omaha's philosophy – Good companies build value intrinsically.

The company's return on equity is adequate at 15%, but the net income margin is decent enough, at 55%. For the last five years, the company has been offering two dividends a year. One is fixed at $0.1 per share; the other, special dividend has increased by 111% between 2015 and 2019. Dividends for this year haven't been announced yet. Currently, the yield it's offering is 1.15%.

As a growth stock, Clairvest doesn't offer an explosive boost to your capital. Instead, it offers consistency and stability. The growth in the past three years has been a bit slow compared to its history. At its current price of $44.5 per share, the company is trading at a 19% discount from its pre-crash value. Since its returns are dependent upon underlying businesses, they are likely to improve once the economy is in better shape.

Foolish takeaway

If you are planning to buy stocks during another market crash, when they hit bottom again and probably dip farther down than they did in the March crash, you may be leaving a lot to chance. Instead, if you look for amazing stocks that are trading cheap now, you may set your portfolio for decades.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)

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Date

2025/08/26
Date Created
2020/06/05
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