Forget Hertz (NYSE:HTZ) Stock: These Value Stocks Are a Sure Win!

Description

Amazingly, **Hertz Global Holdings** stock was a 15-bagger from its lowest point of US$0.40 per share in May to as high as US$6 earlier this month. The stock dropped to the low point after the company filed for bankruptcy on May 22.

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For whatever reason, certain retail investors decided to scoop up and bid up the shares. The momentum eventually led up to the stock rising by an insane 1,400%!

Hertz saw the opportunity to push out new shares to raise cash — of which the bankruptcy court approved!

All I can say is that the recent market behaviour for Hertz stock was pure gambling and speculation.

I'm not betting a single dollar in Hertz stock today. I'd rather invest in these value stocks that are surer winners. The following stocks have much more to offer from a fundamentals standpoint.

Insurance stocks that pay nice dividends

Insurance giants **Manulife Financial** (TSX:MFC)(NYSE:MFC) and **Sun Life Financial** (TSX:SLF)(NYSE:SLF), are getting hit by the COVID-19 pandemic as well, but not nearly as much as Hertz.

Manulife and Sun Life's earnings are expected to drop by about 20% and 10%, respectively, this year. The latter's stock has always been more resilient and has had better price momentum. So, conservative investors should choose Sun Life over Manulife.

That said, both dividend stocks are relatively cheap at the moment. At $18.89 per share at writing, MFC stock trades at a discount of about 30% from its normalized levels. The depressed stock provides an elevated dividend yield of 5.9% as a result.

At $50.56 per share, SLF stock trades at a discount of approximately 10% and offers a safe yield of nearly 4.4%. If things normalize in a year, the stock could deliver an upside of 13% and total returns of more than 17% thanks to the dividend.

Their earnings can recover as quickly as within a year. By buying the discounted stocks, investors will enjoy periodic dividends that are paid every quarter. As well, investors can anticipate meaningful upside as earnings normalize and increase over time.

Manulife stock can deliver five-year total returns of 12-19% per year, while Sunlife stock can generate returns of 10-13%. What's important to note is that the dividends generate a big part of these total returns.

The Foolish takeaway

Hertz stock delivered incredible returns in a super short time. The stock also fell from US$6 to US$2 in an even shorter time. Investors need to recognize that it's a high-risk, high-reward stock that can also make investors lose their shirts.

Average long-term market returns are 7-10% *a year*. The fact that Hertz stock was a 15-bagger in a few weeks is super rare. The bubble burst quickly and gains evaporated in a flash.

At writing, Hertz stock trades at about US$2. Investors who still hold the stock are better off selling it and redeploying into value stocks with lower risks and surer returns.

For example, Manulife and Sun Life are surer investments that can deliver nice returns, as their earnings improve. Their balance sheets are also solid — they are awarded S&P credit ratings of A and A+, respectively.

Their dividends are protected by sustainable payout ratios today.

Therefore, I believe they can continue their dividend-growth streaks. MFC and SLF have increased their dividends for six and five consecutive years, respectively.

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2. TSX:MFC (Manulife Financial Corporation)
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