2 of the Smartest Stocks to Buy Right Now

Description

Although the 2020 crash is now months behind us, many stocks are still dealing with its crushing effects. Forget pre-pandemic highs — many of the stocks haven't even reached their relatively lower start of the year share price yet. It's a problematic situation for investors that rely upon systematically selling their shares and leverage capital growth for their investment earnings.

For investors trying to enter the market or add some stocks to their portfolio, the still discounted companies are a blessing. But that's primarily for investors who want to hold these stocks long-term. This is why choosing dividend stocks might be a good idea because low valuation and high yield make the right combination. Add in some growth potential and you can make some smart investment choices.

A financial aristocrat

The finance sector is struggling to recover, and even though a few companies from the industry have cut their dividends, **Manulife Financial** (TSX:MFC)(NYSE:MFC) isn't one of them. The company is currently offering a juicy yield of 5.6%, and the payout is very stable at 54%. And it wasn't a very prominent growth stock, but even before the crash, it did manage to grow its market value by 34% in the past five years.

The stock is currently underpriced, with a price to earnings of 6.9 and a price to book of just 0.8 times. The price is 28% down from its pre-pandemic high. In the second quarter, the company earned just about half the net income it did last year, but it actually managed to grow its core earnings, if only by a slim margin.

It's a decent-sized insurance company with a market cap of 38.46% with about $1.2 trillion in assets under management and administration. A decent global footprint allows it a bit of sheltering from local headwinds.

An energy aristocrat

When it comes to growth, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) far outpaces Manulife. Thankfully, the yield isn't lagging behind either, and this nine-year-old aristocrat offers a decent 4.5% yield. The payout is also very stable at almost 60%, and despite being part of the energy sector, Algonquin is relatively safer as it's a utility stock.

Despite being a strong growth stock in the past, Algonquin is having trouble recovering from the March slump. The stock is currently trading at a 19% discount. Still, its five years (dividend-adjusted) returns are over 130%, and the compound annual growth rate (CAGR) at 18.29%. That means you can triple your $2,000 investment in less than six years, and you get to enjoy the generous yield. Its current ROE is 23.3%.

Foolish takeaway

Decent growth potential and yield alone don't make for smart investments. Both stocks have a strong balance sheet, a decent place in their respective marketplace, and consistent enough earnings to sustain their dividends. Additionally, both companies can add a bit of growth in your portfolio as well. This combination of sustainable dividends and growth potential makes these discounted stocks a decent pick for your portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:MFC (Manulife Financial Corporation)

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