



2 Top Value Stocks That'll Hold Up As Growth Stocks Implode

Description

Market [volatility](#) has really picked up in recent weeks, with the **NASDAQ 100** recently falling into correction territory (a peak-to-trough drop of at least 10%).

If you were like many beginner investors who overweighted themselves in surging growth stocks, you might have taken an amplified hit to the chin. Cathie Wood's growth-centric **ARK Innovation ETF** crashed by 30%, falling into deep bear market territory (a drop of at least 20%), and all it took was a few weeks. If you stuck with a diversified portfolio of value names and resisted the urge to chase, you may not have noticed the rougher waters.

With some pundits looking for the 10-year U.S. Treasury note yield to surpass the 1.9% at some point this year, it'd be wise to bring your portfolio back into balance if you, like Cathie Wood, are overweight growth and tech and severely underweight value. I've warned investors in numerous prior pieces that just because chasing momentum and neglecting the valuation process paid off big-time in 2020 did not mean it would continue to do so in the new year.

It's never too late to inject your portfolio with value

While I wouldn't attempt to time the bond or stock market's next move, I would encourage you to better-diversify yourself if your portfolio has fallen to a greater extent than the NASDAQ 100 like Cathie Wood's prized market-clobbering tech fund.

In this piece, we'll have a look at three neglected **TSX** value stocks that I believe could surge, even in the face of rising bond yields and a [crashing growth market](#). Without further ado, consider buying shares of **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Fairfax Financial Holdings** ([TSX:FFH](#)), two lowly correlated stocks that are likely to be little-rattled by any extreme volatility faced in your growthier holdings.

Fortis

Fortis is a bond proxy that I've been touting for quite some time. Amid a world ripe with surprises and volatility, shares of Fortis can serve as a ground for your portfolio. While the pandemic has weighed on operations, both the firm's dividend and dividend growth trajectory remain as secure as ever.

The regulated utility kingpin boasts an impressive 4% dividend yield, which is poised to grow at a mid-single-digit annualized rate moving forward, thanks in part to the company's nearly \$20 billion 2021-25 capital expenditure plan. Sure, Fortis isn't a growth stock, but compared to the likes of most other regulated utilities, it's among the growthiest.

The stock's down over 12% from its all-time high, with a near-zero beta. So, even if bond yields continue to weigh on last year's biggest growth winners, Fortis is more likely to continue trading in its own world.

Fairfax Financial

Fairfax Financial is another superb value stock that's been a green arrow amid the tech market's vicious sell-off. Shares of FFH are up 8% on the month and up nearly 2% on a Monday that saw the NASDAQ 100 shed 3% of its value. Fairfax is rebounding from its funk, and not even rising bond yields will slow the deep-value stock in its tracks, as it looks to add to its 50% rally off its ominous October lows.

If you're a believer of legendary investor Prem Watsa and think he's still got the market-beating touch, I'd look to scoop up Fairfax shares while they're at \$500 and change. The stock remains cheap and Watsa, one of the most patient deep-value investors in the world, is one of few investors poised to thrive in a world that's shifting its focus away from growth and back to good, old-fashioned value.

The stock trades at a single-digit discount to its book value alongside a nice 2.5% dividend yield. With the COVID-19 pandemic's end in sight, things are finally starting to look up for Watsa and Fairfax after years of brutal underperformance.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:FTS (Fortis Inc.)

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