Forget Air Canada and Cineplex Stocks: Here's Where to Find Real Value!

Description

Air Canada (TSX:AC) and **Cineplex** (TSX:CGX) are both high-upside bets that could provide a multitude of upside in a post-pandemic environment. As more vaccines are administered, the profitability prospects of both firms will improve, as too will their shares, as hungry investors pile in ahead of what could be a post-pandemic discretionary spending boom or some sort of "Roaring 2020s."

Now, I'm not against placing a bet on either Air Canada or Cineplex stocks at these levels. Their potential rewards could be profound if all goes well and we make an abrupt return to normalcy in late 2021 or early 2022. That said, things can still go wrong with the economic reopening, and the most at-risk plays like Air Canada and Cineplex stocks could face considerable near-term downside risks if weak-handed traders don't get the quick gains from the economic reopening.

Air Canada and Cineplex stocks have huge upside potential, but don't discount the risks!

Just because the potential for timely outsized returns is high doesn't mean the risk/reward is optimal. Great investors like Warren Buffett and Charlie Munger don't seek to maximize their potential returns over a concise timeframe. Rather, both men are all about maximizing their potential returns relative to the risks they'll bear over the long haul.

When it comes to Air Canada and Cineplex shares, I think many beginner investors may be guilty of chasing potential returns with less consideration for downside risks that still exist. As an investor, it can pay major dividends not to discount downside risks in an investment.

In a prior piece, I'd warned investors that Air Canada, a seemingly cheap stock relative to its profitability prospects, was not a buy, as nearly everybody discounted the catastrophic potential of the novel coronavirus, which, many shrugged off right up until the stock market had its "Wile E. Coyote" moment.

Today, I believe pandemic risks are severely discounted. The vaccine rollout seems to be going well, and we could see a return to normalcy soon. But there's still no telling if COVID-19 variants of concern or third waves will send Air Canada and Cineplex shares back into bear market territory.

Both CGX and AC stock have been running hot of late. If this pandemic takes a turn for the worst, both names could be at risk of a painful retracement, as investors are forced to re-evaluate their expectations.

Where does the real value lie on the TSX?

If you seek "real" value, you shouldn't seek to maximize your return over the near term, as most other new investors and speculators do. You should take a page out of Warren Buffett's playbook by looking to maximize your risk/reward to minimize your chances of breaking Buffett's number one rule of investing: never lose money.

At this juncture, **Fortis** (TSX:FTS)(NYSE:FTS) is a beaten-down utility stock that strikes me as a "real" value investment. The regulated utility is one of the safest out there, and its stock has been under considerable pressure in recent months, thanks to the increased appetite for at-risk plays. The near-4% dividend and lower beta make Fortis stock the ultimate bond proxy to hold through uncertain times.

While an investment in Fortis won't make you rich over the near term, as Cineplex or Air Canada stocks can in a bull-case scenario, it can help you preserve your wealth while growing it at an above-average rate over the long run. And that's all any long-term investor (like Warren Buffett) could really ask for!

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