3 Cheap Stocks to Mimic Expensive Growth Stocks

Description

If we take extreme conditions, like a market crash, out of the equation, there are certain common "patterns" and trends in the stock market. One of these patterns is that consistent and powerful growth stocks are almost always trading at a premium. It's an understandable phenomenon, because many investors don't mind paying a higher price if they can get higher than average returns in return.

But these stocks might not make the cut for the value investor who prefers to stick to fairly valued or undervalued stocks as a rule. For them, market crashes or dips might be the only times they can lay their hands on usually overvalued growth stocks.

A good way around would be to look into the cheap stocks that might have the potential to offer powerful growth akin to expensive growth stocks.

A financial firm

Vancouver-based **Canaccord Genuity Group** (TSX:CF) has been around for over seven decades. It's an independent, full-service financial services firm with a market capitalization of $1.29 billion. It has two major business segments — capital markets and wealth management — and one-third of its total revenue comes from the former.

The company is responsible for $88.8 billion worth of clients' assets and has offices in 41 different locations. Canaccord stock has risen over 120% in the last 12 months, and despite a powerful growth phase, the company is trading at a price-to-earnings ratio of 6.6 and a price-to-book ratio of 1.4 times. It also offers a modest yield of 2.1%. The stock is still moving upward, and if it finishes 2021 as strongly as it did 2020, you might see a decent amount of capital appreciation.

A growth-oriented REIT

Granite REIT (TSX:GRT.UN) has a proven track record of growth and aristocratic status. Its growth is slow but consistent and hasn't faltered in its path, even after the pandemic. The five-year CAGR of

22.1% is highly sustainable, especially with the stock trading at a discounted valuation. The e-commerce-heavy nature of the REIT's assets is another reason why its growth can be counted upon.

The company has stable financial history and a strong balance sheet. The portfolio is well diversified and poised to sustain or even grow the REIT's revenues. It also has an impressive tenant pool of stable businesses in their respective industries and geographical locations. And the cherry on top is the sizeable 3.6% yield that Granite offers in addition to its decent growth.

A 27-year-old aristocrat

Thomson Reuter (TSX:TRI)(NYSE:TRI) is one of the oldest "media" companies in the country, though it has divested quite drastically from that particular business line. It is also a well-established aristocrat with a stellar dividend history of growing its payouts for 27 consecutive years. However, its 1.3% yield is not enough to convince most investors, even at its discounted valuation.

But the company also offers stable growth and has a 10-year CAGR of 16.6%, which is reason enough to consider adding this stock to your portfolio. The company has five major business segments, and the most profitable one is legal professionals — i.e., revenue generated from the company's legal services. TRI has an impressive global footprint, reliability, and it's a bargain at its current price.

Foolish takeaway

Slow, consistently growing stocks that you can buy and forget about might be significantly better than wild growth stocks that you have to exit at exactly the right time to make a decent amount of profit for most retail investors. And if you can buy these growth stocks at a discount, that just sweetens the deal a bit more.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NASDAQ:TRI (Thomson Reuters)
2. TSX:CF (Canaccord Genuity Group Inc.)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)
4. TSX:TRI (Thomson Reuters)

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