



## July 2021 Top Pick: This Canadian Stock Reeks of Value

### Description

Have you heard of the strategy to buy in July and go away? It sounds like a pretty good strategy, as equities look to add to their incredible gains in the first half of the year. While the stage looks to be set for big earnings beats, re-valuations to the upside, and all the sort in what some pundits like to refer to as a “Goldilocks” environment, I’d urge investors to not count out the deep-value stocks.

Yes, many seemingly expensive Canadian stocks with valuation multiples at the higher end may actually be cheap here. But what about the well-performing names whose valuation metrics are on the lower end of the spectrum? Could they participate in the boom that could lie ahead? And is there a catch with such dirt-cheap names?

As always, you should conduct a careful and comprehensive analysis of any company before you purchase shares. In this kind of environment, where investors are more than willing to pay higher prices for growth, steep value stocks are fewer and farther between. But they still exist. And while some of them may be value traps that beckon in beginner investors with their single-digit price-to-earnings (P/E) ratios, many are legitimately cheap companies that could experience amplified upside once they’re able to pull the curtain on their COVID-free (or at least less weighed down by COVID) quarterly numbers.

It’s these neglected Canadian stocks that reek of value, which may have the most room to run.

Enter **IA Financial** ([TSX:IAG](#)), one underrated non-bank financial with a single-digit forward P/E multiple of 9.6 at the time of writing. Such a dirt-cheap multiple suggests that the “Roaring ’20s” environment won’t be as kind. I think such muted expectations have a high likelihood of being proven wrong as we approach the year end.

### IA Financial: Unloved and undervalued

IA Financial is an insurance and non-bank wealth manager that ought to win the title for least-exciting financial on the **TSX Index**. Why? The dividend, currently yielding 2.9%, isn’t nearly as large as its peers’. And the growth profile, which is heavily weighted in Canada and the United States, isn’t exactly [appealing](#)

to the growth crowd.

A lower yield and a more modest growth? Why bet on IAG over its peers in the Canadian insurance scene?

Undoubtedly, IA doesn't have the international growth outlet that's comparable to the likes of a **Manulife**. And its [dividend](#) is nearly full two percentage points lower. What do you get for compromising on both the dividend and growth fronts? Stability and deeper value.

IA could easily pay a dividend with a 3-5% yield that's more in line with a Manulife. But should it? Given the fickle nature of insurance, probably not. The \$7.2 billion company also looks more secure from excess downside in the face of economic downturns, given management's track record of prudence and an unwillingness to "stretch itself too far" when times are good. As such, IA Financial looks to be one of my favourite insurers for investors looking to do well in all seasons. As far as defensive financials go, IA is one of my favourites.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:IAG (iA Financial Corporation Inc.)

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## Author

joefrenette

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