Deep Value: 2 of the Best Dirt-Cheap TSX Stocks to Buy Today

Description

Deep-value investing requires a high tolerance for pain and extreme levels of patience. Indeed, Warren Buffett used to be a deep-value or cigar-butt investor, looking to uncover the market's cheapest stocks at any given instance, with less consideration for the quality of the underlying company.

Although the Oracle of Omaha has since moved on to pay more attention to a company's quality, the deep-value investing strategy still exists. While one could score solid returns over the long run from buying the cheapest of the cheap, one must also steer clear of value traps. And high conviction is vital, as deep-value stocks could go years without a correction to the upside, which is the ultimate goal for deep-value investors.

Without further ado, let's have a closer look at the two deep-value plays to see if any is worthy of buying right here.

Fairfax Financial Holdings

Fairfax Financial Holdings (TSX:FFH) is a dirt-cheap stock right here. Its CEO, Prem Watsa, is a deep-value investor himself. He's a contrarian at heart, and he's not afraid to make bold bets when he sees an opportunity. Indeed, the man's boldness and talent for spotting trends have led to some exceptional periods of outperformance, most notably during the Great Financial Crisis of 2008, where Fairfax was spared from the wreckage.

Fairfax hasn't always outpaced the market, though. Fairfax has been sagging in recent years, being outpaced by the markets that each firm aims to beat. Some folks have doubted each man's ability to produce alpha over the long run. But if history suggests anything, it's that each man is worth betting on amid a slump. Both Watsa and Warren Buffett have enjoyed huge comebacks from prior slumps, and I think this time will be no different.

In any case, Watsa is fine holding onto his portfolio of deep-value investments, even if the near-term results have been underwhelming. Fairfax stock has a juicy 2.3% dividend yield and trades at just 0.9 times its book value. That's a low price to pay for an insurance and holding company that's showing signs of improvement in recent months.

Prem Watsa is still a great investor, and the tides could turn in his favour again, as COVID-19 headwinds abate and his firm's underwriting record improves further.

Manulife Financial

Manulife Financial (TSX:MFC)(NYSE:MFC) is another great insurance play that's fallen on hard times amid the pandemic. With a fast-growing Asian business that's under pressure, many investors seem to have moved on to sexier opportunities. As the economy continues its recovery, I think it's a mistake to count Manulife out of the game. Its Asian business is poised to recover, and in due time, it will feel the effects of the middle-class boom in the growthy market.

After a choppy past year and a half, the stock finds itself trading at just seven times trailing earnings and one times book value. That's too cheap, given the caliber of long-term growth you'll get from the name. If you lack Asian exposure, Manulife is a great way to get it at these depressed multiples.

In the meantime, there's a juicy 4.4% yield to collect while you wait.

CATEGORY

1. Investing

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2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:MFC (Manulife Financial Corporation)

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