



4 Undervalued Stocks to Build a Dream Portfolio

Description

If you're a Motley Fool investor who is relatively new to investing, you may still be unaware of where to start! It can be quite overwhelming when you first get into investing. There are a lot of options and what seems like a lot of risks. However, I'm here to help you find some undervalued stocks to help build your dream portfolio.

Each of these undervalued stocks provides you with a good basis on where to start and will provide income on top of your original investment. This won't just be solely through returns, but also via the important dividend income. You can then use that to reinvest in these stocks, as each is a solid long-term hold.

So let's see where you should start.

First, the goal

Before you get going with your undervalued stocks, it's important that Motley Fool investors have a goal in mind. This shouldn't be an abstract "get rich" or "make money" goal. Instead, this should be something like, "I want to retire with X amount of dollars." You can come up with this number by speaking with your financial advisor, basing it on your income and what you can afford to invest.

For the purposes of this article, let's say you make the average salary of \$55,000 per year and can afford to invest \$500 per month. That's a great start! You can then use the dividend income from these undervalued stocks on the **TSX** today to reinvest in your top stocks. That will help you build compound interest and invest the top amount you can afford. It also allows you to invest beyond your Tax-Free Savings Account (TFSA) contribution limit, as dividend income isn't a contribution to your TFSA limit.

Now, the undervalued stocks

If you're looking for undervalued stocks that last a lifetime, you want to look in the industries of real estate, energy, and banks. Each provides dividend income, and you can find companies that have

been around for decades. This can give you some idea of how these companies will perform in the future as well.

There are still lots to choose from, but based on fundamentals, you can find the best-undervalued stocks on the TSX today for the best deal. Among the Big Six Banks, I would first recommend the **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) to Motley Fool investors. It currently has the highest dividend yield among the Big Six Banks at 3.96%, and a P/E ratio of 12.48, making it a steal. And analysts believe it's due to rebound quickly as the Canadian economy continues to reopen.

I would then consider **RioCan REIT** ([TSX:REI.UN](#)) among real estate stocks. This real estate stock maintained revenue thanks to its [mixed-use properties](#). However, it continues to see revenue climb thanks to the return to urban centres. Investors can pick up a 4.39% dividend yield, with a P/E ratio of 15.89.

Finally, among undervalued stocks in the energy sector there are two to consider: present and future. Currently, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) provides a strong option for the rebound in oil and gas prices. Demand has [soared](#), but long-term contracts mean cash continues to flow in to support its substantial dividend yield of 6.88%. Meanwhile, it's still cheap given its future outlook, which stands at a mere 16.21 P/E ratio.

But in the future, Motley Fool investors should consider **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) a great deal today. Shares are starting to climb back to all-time highs, but are still far off, which is what makes it one of the best-undervalued stocks. The world is set to invest about US\$10 trillion into renewable energy in the next decade. With renewable assets around the world in every sector, Brookfield will be a prime benefactor. Meanwhile, you can still collect a 3.09% dividend yield.

Foolish takeaway

This dream portfolio will allow Motley Fool investors to reach their goals in the next few decades. Each stock has decades of growth behind it and a strong future ahead. And you'll be collecting dividend income all the while. So these are absolutely the top undervalued stocks on the TSX today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:ENB (Enbridge Inc.)
7. TSX:REI.UN (RioCan Real Estate Investment Trust)

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