Have $500? 3 Cheap Stocks to Buy in September

Description

There are dark clouds looming over the Canadian economy. Wages aren't rising, despite record-high job vacancies. Inflation is red hot, while economic growth has stalled because of the Delta variant. Investors need to protect themselves with cheap stocks that have lower downside risks.

A stock trading at a low price-to-earnings ratio is already undervalued. Such stocks should be better positioned for an economic shock or stock market crash. With that in mind, here are the top three cheap stocks to buy in September.

Cheap stock #1

Alaris Equity Partners Income Trust (TSX:AD) (formerly Alaris Royalty) is one of the top picks for September. This cheap stock offers exposure to a rare asset class: preferred shares of private businesses. The company offers growth funding to small- and mid-sized firms across North America.

These private businesses face a funding gap, which is why they are willing to pay more for growth capital. Preference shares of private companies offer returns of 13-15%. Even if you adjust that lower for default rates, the returns are better than most other asset classes.

Unsurprisingly, Alaris stock offers a sky-high 6.6% dividend yield. It also trades at a price-to-earnings ratio of 6.3. It's severely underpriced, which means there's little downside risk. Investors looking for a bargain should certainly add this to their list for September.

Cheap stock #2

Canada's housing market is another persistent concern. Everyone knows the real estate sector is historically overvalued. The average household income simply isn't enough to buy an average house right now, despite record-low interest rates. When rates rise in the years ahead, the sector could slide lower.

American homes, by comparison, are relatively undervalued. Which is why **Tricon Residential** (TSX:TCN) should be on your watch list. The company owns and operates roughly 31,000 single- and multi-family homes across North America. The majority of its portfolio is based in the U.S., which makes it far less risky.

Tricon's dividend yield is relatively low — just 1.7% at the time of writing. However, the stock trades at a price-to-earnings ratio of 10. It's also trading at a price-to-book ratio of 1.7, which is fair value.

This cheap stock should be on every real estate investor's radar.

Cheap stock #3

Aecon Group (TSX:ARE) is the last cheap stock on this list. While the housing market is vulnerable, the infrastructure sector is in a much better position. Construction activity is at a record-high, and new projects are being added rapidly. These give contractors like Aecon a long runway for future revenues.

Aecon has been reporting better-than-expected sales in recent quarters. Some expect this trend to continue for the foreseeable future. However, investors seem to have overlooked this niche stock. It trades at a P/E ratio of 15 and offers a 3.4% dividend yield. If you're seeking a robust, multi-year bet, this cheap stock should be on the top of your list.

CATEGORY

1. Investing

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2. TSX:ARE (Aecon Group Inc.)
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Date

2025/08/24
Date Created
2021/09/05
Author
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