1 Underrated Dividend Grower That's Incredibly Cheap Right Now

Description

After an incredible bounce-back week for stock markets, the correction calls that many bearish strategists were calling for seems to now be off the table. Undoubtedly, a 5% or so correction may be the most we're dealt with this year. If you hedged your bets and scooped up the bargains that came your way, regardless of how deep you thought the correction would extend, you're probably happy that you did so instead of subscribing to the bearish thesis and attempting to catch a bottom at some arbitrary level.

Indeed, timing market bottoms and taking correction calls from market strategists as gospel may not be the best course of action. Markets remain unpredictable, and as pundits change their tune and upgrade their **S&P 500** targets, investors will have to pay a slightly higher price of admission to the names atop their wish lists.

Markets bounce back as correction fears diminish

In this piece, we'll check out one undervalued Canadian stock that's a buy regardless of whether markets continue rallying or reverse into year-end. Undoubtedly, IA is one of those names that seems so cheap that its shares are less likely to be influenced by moves made in the broader markets.

Consider shares of **IA Financial** (TSX:IAG), one quality dividend growth stock that's close to the cheapest it's been since the rise out of the 2020 February-March market crash. The underrated Canadian financial is very well-equipped to fair well in a rising-rate environment, which may very well be on the way over the next three to five years.

Undoubtedly, medium-term conditions are less than ideal for IA and other insurers. But for longer-term thinkers, there are many reasons to consider the Canadian financial while its valuations are close to a historical low point.

IA Financial: A dividend underdog on the TSX

While IA Financial has regained most of the ground lost in last year's pullback, shares remain an incredible value at just 9.8 times trailing earnings. Indeed, the 2.7% yield leaves a lot to be desired versus most other Canadian financials, the Big Six included. Still, by foregoing a bit of yield, investors gain a lot in terms of value.

IA isn't a fast-grower by any means, but with one of the more conservative payouts in the insurance space, I do view the company as a more secure and defensive way to play the space. With a lower dividend yield and more modest long-term growth prospects, many investors may be quick to overlook the name. Still, with talented managers and a robust domestic business, IA is in a class of its own. Despite being outshined by its insurers that promise greater growth from larger, more attractive Asian businesses that rely on secular trends, IA should not go ignored, especially after a resilient year of navigating COVID headwinds.

In short, IA Financial is one of **TSX'**s better underdogs. You can go for greater yields and more ambitious growth prospects, but by doing so, you may be taking a bit more risk, especially when the next structured economic downturn lands.

CATEGORY

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Date
2025/07/26
Date Created
2021/10/19
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