



2 Top Canadian Value Stocks That Could Soar in February

Description

Value stocks are the bedrock of Warren Buffett's investment philosophy. Indeed, those seeking value in the context of a durable competitive advantage have done well over the long term. Those looking to follow in Mr. Buffett's footsteps only need to follow these principles to be successful over time.

However, [finding undervalued stocks](#) in today's market is difficult. Valuations remain high, despite the recent market volatility. With growth outperforming value, many investors have switched their thesis, taking on more risk of late.

That said, there remain a few great value stocks worth considering right now. Here are two such companies on my list right now.

Top value stocks: Manulife

Manulife ([TSX:MFC](#))([NYSE:MFC](#)) is certainly among the top value stocks investors have had the opportunity to pick up over the past year. While this stock has appreciated significantly since its lows, I think there's still a tremendous amount of room to run.

Along with an improved business environment in key markets like Asia, Manulife stands to benefit from its geographically diversified business model. This company has significant market share in Asia — a place I'm bullish on for growth.

However, as an insurance company, Manulife's valuation has been hit partially as a result of declining interest rates. As interest rates increase, Manulife stands to benefit as a result of the company's large investment portfolio.

Manulife has done an excellent job of de-risking its business model since the Great Recession. Recently, the company reinsured 75% of its U.S. variable annuities business. This further takes the process forward and unlocks approximately \$2 billion of value for shareholders.

Manulife's prudent approach to its core business has provided analyst expectations of earnings growth

in the low double digits over the medium term. Right now, I think this is a stock worth looking at, particularly for those worried about interest rates.

Suncor Energy

Another stock that has done relatively well of late is **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). I've touted Suncor as one of the best value stocks in Canada for some time. Most of this is due to the reality that Canadian energy stocks have been under pressure for so long.

Now, with energy prices soaring, perhaps the value argument is less valid. This might be true. However, Suncor's valuation at [22 times earnings](#) is still very reasonable. In fact, for a company of this quality, I'd say this valuation is very enticing.

Suncor is a company that's balancing its dividend growth as well as organic business growth. Given higher oil prices, Suncor has shown an affinity to passing on value to investors. I like that.

Additionally, given inflation concerns, Suncor is a great way to hedge one's portfolio to rising prices. If energy continues to increase, decreasing the value of one's other holdings (energy is a key input cost), holding Suncor diminishes some of that risk.

All in all, both value stocks are worth considering right now for different reasons.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SU (Suncor Energy Inc.)

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Author

chrismacdonald

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