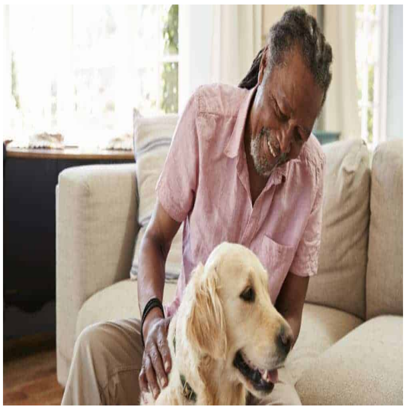

# RRSP Investors: 2 Undervalued Stocks to Help Build Retirement Wealth

### Description

The recent pullback in some sectors of the **TSX Index** is finally giving RRSP investors a chance to buy cheap stocks for their self-directed portfolios.



## TransAlta Renewables

**TransAlta Renewables** (TSX:RNW) owns hydroelectric, solar, winds, and gas-fired power-generation assets in Canada, the United States, and Australia. The shift to renewable energy is expanding across the globe, and TransAlta Renewables has the expertise to build new infrastructure as well as be a buyer as the sector consolidates.

The stock took a hit in 2021 due to both segment and company-specific factors. Investors dumped renewable energy stocks through most of last year after they rallied in 2020 and the first part of 2021. In addition, TransAlta Renewables ran into some unfortunate operational issues.

A gas-fired power facility had an unplanned outage, and the company discovered that 50 of its wind turbines at the Kent Hills sites in New Brunswick need new tower foundations. The setbacks are frustrating for investors, but the news it out and the impacts are now clear. TransAlta Renewables will get the issues sorted out, and the stock selloff now appears overdone.

TransAlta Renewables trades near $16.70 per share at the time of writing compared to $22 last summer. Investors who buy the stock today can pick up a 5.6% dividend yield and simply wait for the shares to drift higher once the operational headaches are fixed.

## Bank of Nova Scotia

**Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) trades near $92 per share at the time of writing compared to the recent high around $95. The stock has enjoyed a nice rally off the 2020 lows, but the shares still look attractive at less than 12 times trailing 12-month earnings.

Bank of Nova Scotia's international business continues to recover from the pandemic hit. The company has significant operations in Mexico, Peru, Chile, and Colombia. Covid-19 hit these countries hard, but 2022 should see economic activity improve. In fact, the global recovery that is driving commodity prices higher should help the Pacific Alliance members. Revenues from oil production and mining are a large part of their economic activity.

In Canada, bank of Nova Scotia should benefit as interest rates rise. The Bank of Canada is expected to start boosting rates as early as next month. Higher rates tend to be good for Bank of Nova Scotia and its peers, as they enable the banks to generate better net interest margins.

Bank of Nova Scotia raised the dividend by 11% when it announced fiscal 2021 results. The company is also buying back stock with the excess cash it built up to ride out the pandemic.

The new annualized distribution of $4 per share provides a 4.3% yield at the time of writing.

## The bottom line

TransAlta Renewables and Bank of Nova Scotia look attractive at their current stock prices. The companies pay attractive dividends and offer retirement investors a shot at some decent capital appreciation in the coming years. If you have some cash to put to work in a self-directed RRSP focused on generating total returns, these stocks deserve to be on your radar.



**CATEGORY**

1. Dividend Stocks
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3. TSX:RNW (TransAlta Renewables)

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