Got $3,000? 1 TFSA-Worthy Stock to Buy and Hold for 3 Years

Description

Value stocks have had quite a run over the past year, as the growth trade faded, and investors threw in the towel on the types of stocks that are lacking in earnings. Though growth could experience a rebound in the second half of 2022, I'd argue that the recently faded value plays may be more than worth picking up if you're doubtful that we'll be in for yet another V-shaped recovery from this bear market.

Defensive dividend stocks have been quite solid over the past few months. They've held their own better than the market. But as the market bottoms out, and the beaten-down plays experience a bit of relief, it's these defensive dividend stocks that may not participate (at least not fully) come the next market-wide bounce. Indeed, valuations have gotten a tad stretched with the so-called value plays or defensive dividend stocks.

At what point does value become risky?

When you've got such a vicious rotation out of the risk trade and into quality bond proxies, valuations can hit a point where the "risk-off" play may actually become the "risky" play. Similarly, the battered growth plays may be the new value plays. It's always wise to be contrarian. However, diversification is still key to making it through this bear market, given the number of bull traps or bear market rallies we've witnessed in recent months.

Now, nobody knows if the current rally will be the start of something longer lived. But long-term investors should not care. Lower multiples are good for investors. Wall Street is baking in a worldwide slowdown at this juncture. If things aren't as bad as expected, the markets may have a bit of upside. At the same time, the days of chasing quick V-shaped bounces seem to be over. So, make sure you've got at least a three-year investment horizon.

Couche-Tard: A cheap stock hiding in plain sight

Currently, bond proxies and other ultra-defensive names seem expensive. This could change in time, though. In any case, I'm a bigger fan of a name like **Alimentation Couche-Tard** (TSX:ATD), a consumer staple that still seems cheap going into a slowdown.

Couche-Tard is one of the most boring plays out there. The convenience store owner and operator has a track record for growing and creating value via M&A. With a strong presence in North America and Europe, Couche-Tard is a geographically diversified play that's eager to expand its horizons.

Management has expressed its interest in moving into the Australasian region. The region may have a higher return on invested capital (ROIC). However, Couche-Tard doesn't have as much expertise operating within the uncharted waters. Still, the firm can acquire the right talent to help it thrive within the region. With a stellar balance sheet, expect Couche-Tard to pursue opportunities on the global scene, as the economic tides go out. It has the cash to take advantage of deals both aboard and domestically.

Until Couche finds a big target in the Australasian region, the firm may be content with tuck-in deals if it can get a good price. Recently, Couche was rumoured to be a potential suitor of **Suncor Energy's** retail business.

Indeed, Suncor is going through a big change at the c-level right now. The firm is looking to lighten up and refocus. Such planned change and urgency could help Couche walk away with a steal of a deal. It has the cash and credit. Management just needs to agree on the right price.

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