Got $2,000? Here Are 3 Smart TSX Stocks to Buy Now

## Description

The earlier you start investing, the more time compounding can work its magic. Albert Einstein didn't call compound interest the eighth wonder of the world for nothing. The Rule of 72 approximates the number of years it takes to double your money in an investment based on the rate of return.



The best GIC rate is 4.6%. It would take about 15.7 years to double your money in the risk-free GIC. By taking on more risk and getting a 10% rate of return, you could double your money in about 7.2 years.

$2,000 invested for 10% per year compounded at the end of each year will transform into the following amounts:

| Years of investment | Ending investment value |
|---|---|
| 10 | $5,187.48 |
| 20 | $13,455 |
| 30 | $34,898.80 |
| 40 | $90,518.51 |
| 50 | $234,781.71 |

Getting a 10% return is very reasonable when you invest in a diversified portfolio of solid stocks. Here are three smart **TSX** stocks that could deliver at least 10% per year over the next five years.

# Savaria for strong price-appreciation potential

As a small-cap stock with a market cap of $909 million, **Savaria** (TSX:SIS) stock can experience huge a drawdown at times. Well, the stock decline has happened. It peaked at $22 in 2021. The stock trades at about 36% lower now at roughly $14 per share. The small-cap stock appears to have based and poised for strong price appreciation over the next few years.

Last month, on *BNN*, it was rated as a strong buy by an analyst:

> "Savaria is the world's largest in home accessibility and patient handling. It has an aging demographic tailwinds and is very well managed. There have been margin compression from supply chain issues. But we anticipate good execution and the business is booming."
> *Stephen Takacsy, president, CEO, and chief investment officer at Lester Asset Management*

Savaria is also a Canadian Dividend Aristocrat with a 15-year dividend-growth rate of 22.9%. However, it's notable that it slashed and raised its dividend in between. It last cut its dividend in 2015. This goes to show that management is more focused on growing the business than protecting its dividend.

What's important for investors to note is that long-term investors have been handsomely rewarded. The stock has delivered annualized returns of 29% per year in the last decade. Price appreciation has been the key return factor. For the record, its 12-month analyst consensus price target is about 58% higher from current levels. It also pays a 3.6% yield for the wait.

## Brookfield Asset Management to continue the growth theme



**Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) is a lower-risk investment. First, it's a large-cap stock with a market cap of about $105 billion. Second, the growth stock has corrected approximately 19% from its peak, removing valuation risk. In fact, analysts anticipate a 12-month upside potential of about 37%.

Third, it is a diversified business with large stakes in cash cow businesses, including real estate, infrastructure, renewable power, and others. Fourth, it invests third-party capital for management fees and performance fees. Notably, it plans to spin off this business by the end of the year.

Regardless, the company has aimed for a long-term rate of return of 12-15% on its investments and has achieved it with a strong track record. This is why investors — institutional and retail alike — keep coming back for more.

## Manulife for a fat dividend yield

**Manulife** (TSX:MFC)(NYSE:MFC) is highly profitable. Its trailing-12-month net income came in at more than $9 billion — 59% higher than in 2020. It allocated 29% of earnings to dividend payments and 19% to common stock repurchases with plenty left over to grow the business. Rising interest rates should benefit the life and health insurance company, because it has tonnes of fixed-income investments.

The value stock is super cheap. At $23.43 per share, it trades at about 7.3 times earnings, while the analysts anticipate an average earnings-per-share (EPS) growth of 9% per year over the next three to five years.

The undervalued stock pays out eligible dividends yielding 5.6%, which is favourably taxed in taxable accounts. Assuming the EPS growth rate materializes and no valuation change, the stock could deliver annualized returns of over 14%!

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BN (Brookfield)
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