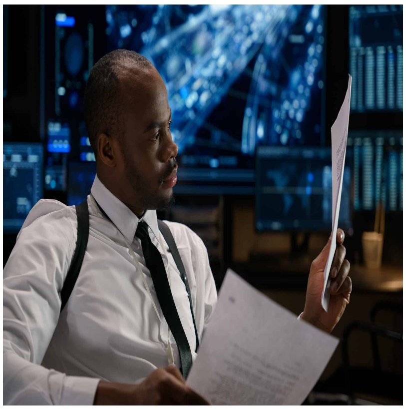


2 TSX Stocks That Are Actually Beating the Market

Description

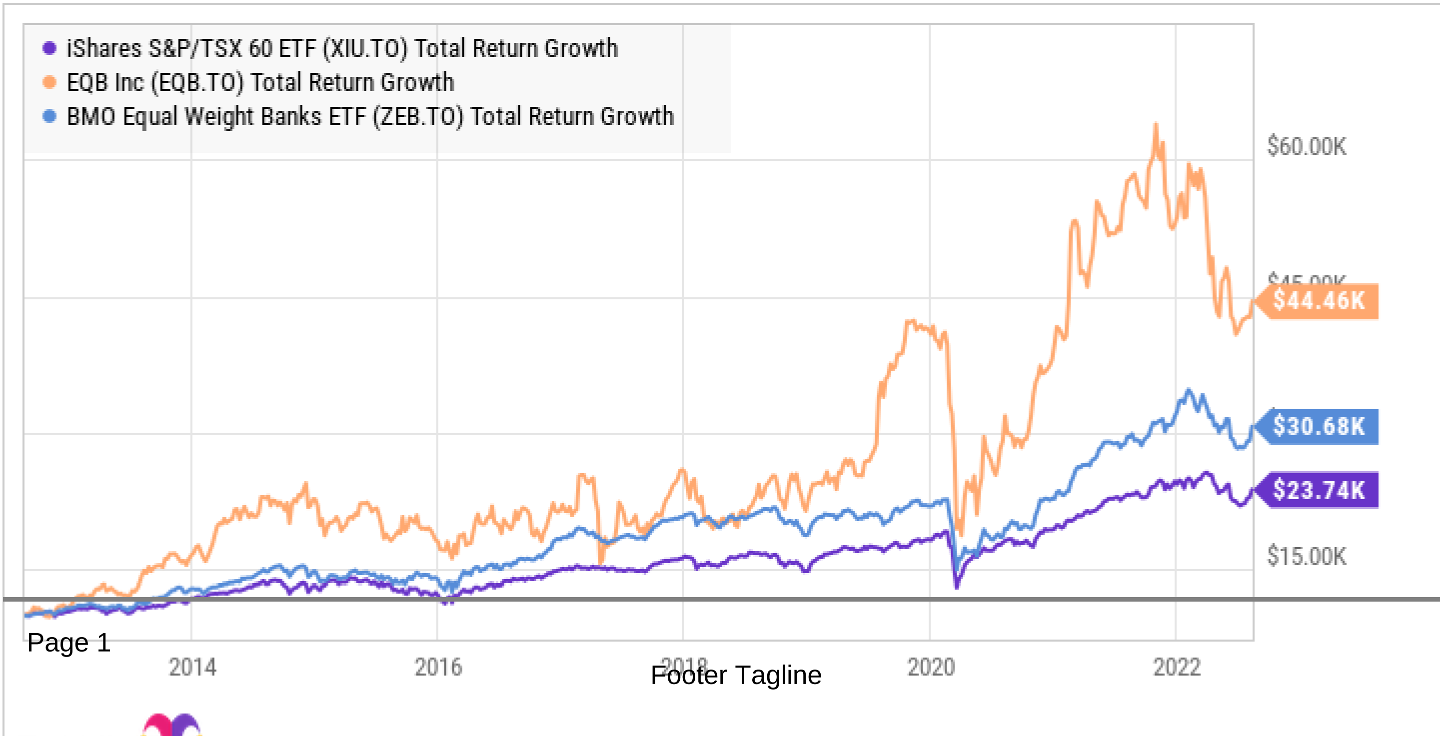
When investors hear about beating the market, the first idea that comes to mind is beating the market in terms of total returns. Some stocks might outperform under specific market conditions. However, those that can outperform in the long run are keepers.

Another idea about beating the market can come from the income perspective. Are you making more income than what the market offers?

First, let's take a look at **EQB** (TSX:EQB) stock, which has beaten the market and its industry in the long run.

This TSX stock is beating the market and its industry!

The graph below illustrates how an initial $10,000 investment has grown over the past decade in EQB stock versus the Canadian stock market and its industry. The **S&P/TSX 60 ETF** is used as a proxy for the Canadian stock market, while an equal-weight bank ETF is used for the industry comparison. EQB stock beat the market and the industry by 87% and 45% in the past 10 years.



XIU Total Return Level data by YCharts

EQB is a domestic bank that's federally regulated. As a relatively small bank, it has been able to grow at a faster pace than the industry. Its 10-year return on equity (ROE) averaged 16.6%, which is competitive against the big Canadian bank stocks. Its 10-year earnings-per-share growth rate of close to 15% beats the industry's, which explains the bank stock's long-term outperformance.

As a higher-growth bank, it's acceptable that EQB has a lower yield than the big bank stocks. The stock yields about 2.2%. Its trailing 12-month (TTM) payout ratio is approximately 12%, which is low versus the big banks' typical payout ratio in the 40-50% range. This is another reason for EQB's lower dividend yield.

At $56.87 per share, the bank stock is undervalued. Analysts have an average 12-month price target that represents a discount of 29%. This is a meaningful sale and a good buying opportunity for those seeking to beat the market in the long run.

Beat the market's income with these TSX stocks

Great-West Lifeco (TSX:GWO) has one of the most massive dividend yields among the Canadian Dividend Aristocrats. At $33.27 per share at writing, the life and health insurance company offers a juicy yield of 5.9%, which is more than double the market's yield of about 2.8%. GWO stock's TTM payout ratio is about 61% of net income available to common stockholders. Its five-year ROE of about 13% is decent.

The value stock is discounted by about 20% from its long-term normal valuation. It beats the market in terms of the income it provides from its quarterly dividend. As a reference, its five-year dividend-growth rate is 5.4%. So, assuming no valuation expansion, the stock could potentially deliver 11% per year in total returns from the help of a high yield.

Foolish investor takeaway

So, there you have it! If you seek to beat the market in terms of total returns, you would populate your portfolio with stocks that have higher growth than the market such as EQB. Investors who need current income may choose to build a high-yield stock portfolio that beats the market's income generation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:GWO (Great-West Lifeco Inc.)

PARTNER-FEEDS

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