RRSP Investors: 3 Undervalued Stocks You Can Hold for Years

Description

There is a massive difference between a good stock and a stock that's good for now. A good stock may be worth buying and holding, even if it's trading at a fair price or even if it's overvalued, because the return potential will likely remain consistent. Some stocks are only good for a brief recovery period.

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But if you can buy a stock that's actually good at an undervalued/discounted price, you may enhance its default return potential to a certain degree, and you can still hold it long term, way beyond the recovery period.

A steel company

Steel making is not a thriving industry in Canada, and there are a handful of major players. One of them is **Stelco** (TSX:STLC). This Hamilton-based company is rooted deep into the fabric of the country's history and has been serving the people of Canada for over a century. It has two major facilities, one of which is an efficient and relatively green steel production facility.

Stelco has experienced a fantastic upward surge in the post-pandemic market and has risen over 1,300% between its market crash price and 2022 peak price. The 33% discount it's currently offering is paltry compared to its growth run, but it was enough to bring its price-to-earnings multiple down to 1.48, making it tastefully undervalued. The yield has also gone up to 3.2%.

A REIT

Real estate stocks have started slumping again since mid-August (after a brief recovery period), but the main fall began in Nov 2021. And from that peak, **Dream Industrial REIT** (TSX:DIR.UN) has fallen over 30%. The most noticeable impact of this fall can be seen on the stock's yield, which has risen to an attractive number of 5.7%.

The fall has also impacted the stock's valuation; most importantly, its price-to-earnings multiple has fallen to 3.2, which, coupled with its price-to-book multiple of 0.7, makes it relatively undervalued.

This particular real estate investment trust has been offering one of the best combinations of capital-appreciation potential and dividends since 2016. It rose over 80% in the four years preceding the pre-pandemic peak, and if it starts growing at this pace again when the sector finally goes bullish for the long term, you will benefit from this discounted purchase and a handsome yield.

A private equity management firm

Toronto-based **Clairvest Group** (TSX:CVG) has been around since 1987, and its stock has mostly gone up in the last two decades. If you had bought the company precisely two decades ago, you would have grown your capital to about 1,200% by now. The growth hasn't really been steady, but it has almost always been there.

And the stock proved quite resilient against market headwinds. It's currently trading at a modest 6.2% discount, but the valuation deal is far more attractive — a price-to-earnings multiple of about 3.6. So, if you can buy a stock like Clairvest that has been a relatively consistent grower for almost two decades at a discounted valuation, it may be a very profitable addition to your portfolio.

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Foolish takeaway

The three companies are attractive buys right now, but they may become even more attractive if they keep sliding down with the market. The three undervalued stocks may become even more heavily discounted if you wait, but the opposite is also true. So, it might be wise to keep track and make a move whenever you are certain about the direction the market is taking.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. OTC:CVTG.F (Clairvest Group Inc.)
2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:STLC (Stelco Holdings Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
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