2 Undervalued Growth Stocks to Buy Right Now

Description

Discounted and undervalued stocks have an inherent appeal, especially for value investors. But only when they are above a certain threshold.

When either price discount or undervaluation becomes too pronounced, investors begin to wonder whether it's just a temporary phase or a permanent state of affairs. Because if there is something fundamentally wrong and the stock is most likely to stay down or go down further, then there is no point in leveraging the discount.

However, sometimes an extended slump is not entirely the company's fault. It's a combination of factors, some of which come from the stock market, while others might be more sector/industry oriented. The underlying stock may still be a strong bet and may start to recover and rise to its true potential in a strong bull market.

Two such stocks offer a healthy mix of growth potential and undervaluation and should be on your radar right now.

A private equity management firm

Investing in a business that invests in other businesses can prove quite profitable with the right candidate, like **Clairvest Group** (TSX:CVG). This Toronto-based company has been around for nearly 35 years and has a long and proud history of investing private equity in promising entrepreneurship and helping them become viable businesses.

It currently has a portfolio of 22 properties that it has partnered with and a decent number of success stories to endorse its potential. This includes a company that grew five times in under a decade, a gaming company that turned the corner from bankruptcy, and one of Canada's largest independent HVAC contractors.

Clairvest has offered a lot of success to its investors as well. If you had invested $10,000 in the company 10 years ago, you would have grown it well over $40,000 by now. And this robust growth stock (assuming it keeps growing at a similar pace) is currently incredibly undervalued. It has a price-to-earnings ratio of just 3.5 and a price-to-book ratio of about 0.9.

A REIT

Real estate investment trusts (REITs) are a fantastic way to invest in the Canadian real estate market right now. Even though more investors are attracted to the dividend aspect of the REITs, you can also leverage powerful growth potential by choosing the right REIT. A good candidate is **Granite REIT** (TSX:GRT.UN), which is currently both heavily discounted and undervalued.

It's trading at a 26% discount from its last peak, which is a considerable improvement over the slump it was in until a few months ago (38% discount). The discount is sizeable enough to keep the yield near the attractive 4% mark. But the primary reason to consider this REIT is the growth potential it has shown in the last seven years.

It's currently trading at a price-to-earnings ratio of 8.2 and a price-to-book ratio of 0.9, which is also undervalued in the real estate sector. This is the perfect opportunity to capture the benefits of the real estate bear market and buy this promising growth stock.

Foolish takeaway

The two growth stocks have the potential to offer fantastic returns if you hold on to them for long enough. Granite is currently offering a decent enough yield that you consider buying it for its dividends, especially considering it's also an aristocrat. But Clairvest is an excellent pick purely for its growth potential.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CVG (Clairvest Group Inc.)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)

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