3 Undervalued TSX Giants That Smart Investors Should Load Up on

Description

Safety is usually the primary reason most conservative investors are interested in blue-chip stocks. They have credibility, as industry leaders and giants and solid history (usually) to back them up. They may not offer capital-appreciation potential compared to smaller, more volatile counterparts, but that may be considered a reasonable trade-off for the risk mitigation they bring to the portfolio.

However, you can improve the overall return potential by buying these stocks discounted and undervalued — i.e., when they are offering a higher yield and recovery-based appreciation. Three such giants should be on your radar right now.

A fertilizer stock

Nutrien (TSX:NTR) is one of the largest fertilizer companies in the world and has an annual distribution of about 27 million tonnes of crop inputs, mainly potash. As a global leader in an industry tied to one of the most basic human needs, nourishment, Nutrien is an incredibly safe bet as a long-term holding.

It's also undervalued right now and is trading at a price-to-earnings ratio of about 5.7 and a 24% discount from its yearly peak. The stock has risen over 150% since its 2020 crash valuation.

If it continues on this upward path, propelled by strong finances, you may see decent capital appreciation until external factors (like a recession) or a normalized valuation stops it in the tracks. You can still benefit from the dividends it's offering, with the yield at 2.4%.

A bank stock

Canadian bank stocks, particularly the Big Six, are generally considered trustworthy and safe investments. The banks have a history of surviving major financial downturns, maintaining dividends, and growing payouts during healthy markets. This “pedigree” makes an investment like **Bank of Nova Scotia** (TSX:BNS), especially at its undervalued price, an intelligent choice.

The stock has fallen over 23% from its last peak and has a price-to-earnings ratio of about 8.5, making it both discounted and undervalued. The yield has risen to a desirable number of 5.7%. The high yield is supported by a safe payout ratio.

Dividends are the primary reason to consider this investment though the current slump may result in modest capital appreciation as well if the stock goes bullish with the market.

An insurance-oriented financial stock

If you are looking for a TSX giant offering an even more attractive yield, **Great-West Lifeco** (TSX:GWO) is an option worth exploring. This holding company operates in two major markets — North America and Europe — through two insurance and two financial services/investment companies. It’s also a Dividend Aristocrat, which endorses its position as a dividend stock.

It’s currently trading at a 21% discount and is also quite attractively valued. The discount has inflated the yield to 6.1%. However, the stock has already started to recover from its fall under the influence of a bullish market, and the yield may go under 6% as the stock moves up a bit more, so now would be the perfect time to consider buying this stock.

Foolish takeaway

The three TSX giants offer healthy yields and may also help you grow your wealth via capital appreciation if you hold them long enough. All three are leaders in their respective industries and have an impressive business presence, making them safe, long-term investment options.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:NTR (Nutrien)

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