3 Smart Value Stocks That Could Disappear in the Next Bull Market

Description

Recessions and market crashes are like an attractive spread for value investors. Most companies are discounted or undervalued (or both), and with so many choices available, they can fine tune their search to find the perfect picks for their portfolio. However, if you wait too long to buy, a bull market may erode the value-based "attractiveness" of many such stocks.

A REIT

Pro REIT (TSX:PRV.UN) is a commercial real estate investment trust (REIT) that's offering a fantastic yield at a killer value, even though it's just modestly discounted (19% down from the last peak). The stock is trading for a price-to-earnings ratio of just 2.4 and a price-to-book ratio of just 0.7. It's offering a mouthwatering yield of 7.5%, backed by an incredibly stable payout ratio of 19%.

It should be acknowledged that part of the dividend's "stability" comes from the fact that the REIT slashed its payouts and have yet to revert to the original number. And making another cut so soon after the last one would be akin to alienating a significant number of investors away, so the REIT might not take such a drastic step, especially when the financials suggest that it can easily afford the payouts.

An asset management company

ONEX (TSX:ONEX) has been in the asset management business for 38 years and, so far, has accumulated roughly $47 billion worth of assets under management. It has invested in a wide variety of companies, and its most well-known holdings include WestJet, which is the only proper competitor that **Air Canada** has in the country.

In addition to its decent portfolio, the company is also offering a decent discount to its investors right now. It has slumped over 35% from its peak and is trading at a price-to-book ratio of just 0.5. And even though its performance has been shaky for the last few years, the stock took off once the market stabilized after the Great Recession. And there is a probability that history might repeat itself.

A methane company

As one of the largest distributors and suppliers of methanol worldwide, **Methanex** (TSX:MX) is worth considering for its leadership position in this particular market segment. But it's also a decent catch if you combine its current valuation with budding growth potential.

The stock is trading at a 29% discount from its last peak, and its price-to-earnings ratio is just 5.24 right now. And if you consider the two short-term growth spurts the stock has offered in the last couple of years, the smaller of which pushed the value up by 79%, you may consider buying it now when it's moving up following the previous pattern.

The stock may keep going further than it has before, and if it does, you may experience a 100% growth in your capital in under a year.

Foolish takeaway

If you want to play it safe, you may consider waiting and watching how the stocks play out and buying them in the next bear market, but the potential cost of lost opportunity might be too high. If you believe in the underlying potential of the three stocks, buying now might be the right thing to do.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MX (Methanex Corporation)
2. TSX:ONEX (Onex Corporation)
3. TSX:PRV.UN (Pro Real Estate Investment Trust)

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