Value Investors: 3 Excellent Defensive Options to Consider

Description

There are various definitions of “value” among different investor types. Some aggressive growth investors have made a fortune investing in various technology names over the past decade. For them, this recent dip in stock market prices could certainly represent value from recent valuation peaks. Traditional fundamental value investors, however, have gotten killed over the past decade, as growth companies have outpaced true value companies in terms of capital inflows by a wide margin.

Here are three options for true value investors seeking solid companies with highly defensive business models.

Yamana Gold

In this current environment, I think nearly any gold producer amounts to a solid defensive play. This is despite gold not really exhibiting much in the way of “haven-like” status for investors since the beginning of the early March collapse in equity prices we’ve all experienced.

I’d recommend investors looking to put fresh cash to work trim their lists down to only the most liquid and safest options in a given sector. They should focus on companies that are either the largest players or have the highest-quality assets in their respective sectors.

From that perspective, **Yamana Gold** (TSX:YRI)(NYSE:AUY) is certainly a Canadian gold miner worth investigating. Yamana has a portfolio of premier assets. In addition, this company has a number of high-grade deposits. Yamana’s balance sheet is relatively strong compared to its peers. I expect the outperformance that Yamana shareholders have seen over the past year to continue for these reasons.

Manulife

Sometimes, certain companies become far too cheap to ignore. I think that is definitely the case for insurance giant **Manulife Financial** (TSX:MFC)(NYSE:MFC). The key driver of Manulife’s month-over-month decline, at the time of writing, is the company’s unique and significant exposure to the Chinese market.

That said, a number of analysts believe that Manulife remains a viable long-term option for investors. They believe this, despite Manulife's exposure to China and low interest rates; low interest rates are terrible for insurance companies like Manulife.

At these current prices, buying shares of Manulife really almost equates to buying a call option on the survivability of the firm, which I don't question. Manulife's core product is life insurance. Fundamentally, most folks would think of life insurance as a "need" rather than a "want." Therefore I expect any earnings deterioration to be short-lived.

Aecon

Aecon Group (TSX:ARE) is a Canadian construction and engineer giant. Unlike Manulife, Aecon's shares are only down approximately 25% on a month-over-month basis, at the time of writing. This is truly incredible. This market has now become so volatile that companies like Aecon with strong secular tailwinds are getting sold off in lockstep with the broader market.

I believe shares of Aecon are now oversold. They now represent excellent value for long-term investors intent on capturing value created by much-needed increased infrastructure spending in North America and globally.

Stay Foolish, my friends.

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