



Value Stocks Are on Sale! Here Are My Top Picks for Canadian Investors

Description

It's no surprise that high-growth tech stocks outperformed value stocks in 2020. What was shocking to investors last year was the level of growth that many tech stocks soared to.

We are now seeing valuations high enough where some investors are considering this to be a tech bubble. While I do agree that valuations are high, I'm not making any rash decisions to sell off shares of my winning tech stocks. Instead, my focus right now is on looking for the next value stock to add to my portfolio.

It's very possible that the surge of tech stocks in 2020 has created a certain level of imbalance in your portfolio. I know it certainly has for me. If you do find yourself to be too over-indexed towards high-growth tech stocks, you may be looking to rebalance your portfolio in 2021.

That's definitely not a bad problem to have, but it will need to be addressed if you're uncomfortable with your portfolio's level of risk.

I've reviewed two top value stocks that are on my radar right now. Compared to the valuations of high-flying tech stocks, these two companies are absolute steals right now.

Value stock #1: Bank of Nova Scotia

The [Canadian banks](#), along with the majority of the finance sector, have not fared well during this pandemic.

The lowered interest rates have hurt profits in the short term, which led to the Big Five banks to struggle to keep up with the broader Canadian market's performance in 2020.

For short-term investors, there might not be much value in bank stocks. But if you're able to hold for the long term, now is the time to be adding shares of a major Canadian bank.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is a solid choice for value investors. The bank has been as reliable of a **TSX** stock as you could find over the past decade.

Bank of Nova Scotia offers investors stability in their portfolios, a top dividend yield, and exposure to not only the Canadian and U.S. economies, but Latin America's too.

The bank is part of the prestigious club of [Dividend Aristocrats](#). It's also been paying a dividend to its shareholders for more than 180 years. At today's stock price, the \$3.60 annual dividend earns investors an impressive yield of 5.3%. Let's not forget the valuation, as that is one of the main reasons this stock is on my radar today.

The value stock is trading at a very favourable forward price-to-earnings ratio of just below 10.

Value stock #2: Sun Life Financial

Do you already own a bank stock in your portfolio? No problem; here's another value stock in the financial sector that's trading at a serious discount.

Sun Life Financial ([TSX:SLF](#))([NYSE:SLF](#)) is the second-largest insurance provider in the country. In addition to selling insurance, the company also offers wealth and asset management services for its global customers.

Similar to Bank of Nova Scotia, Sun Life struggled to keep up with the market's returns last year. The insurance provider finished the year at a loss of close to 5%, while the **S&P/TSX Composite Index** was up about 2%.

Insurance might not be the most exciting industry, but it's definitely not going anywhere once this pandemic is over. It's been one of the most dependable industries for investors for decades, which is why Sun Life stock can provide much-needed stability for an investment portfolio.

Sun Life's dividend yield might not match what the Canadian banks offer, but it's nothing to complain about. At today's stock price, the dividend yield is 3.6%.

What Sun Life may lack in passive income, it makes up for it in growth potential. Over the past five years, shares are up close to 60% — not too bad for a value stock. In comparison, shares of Bank of Nova Scotia are up just 30%.

The Canadian market is up about 50% over the past five years. So, if you're looking for a value stock with market-beating growth potential, Sun Life is for you.

Foolish bottom line

It might be hard to hold on to your current value stocks when tech companies are soaring to new all-time highs every day.

Like many other Canadian investors, I'm incredibly bullish on lots of those high-flying tech stocks. But I also need to consider how I'm going to balance out that growth in my portfolio.

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