



**7 Pro Secrets
To
Value Investing**

FREE REPORT

7 Secrets to Unlocking Value Stocks (February 2026)

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Introduction: What are Value Stocks?

One of the key principles of successful investing is to buy high-quality “value stocks”—stocks that are reasonably priced, if not cheap, in relation to their sales, earnings and assets. Typically, value stocks trade at prices lower than their financial fundamentals would suggest.

As more investors come to recognize the value of these stocks, they begin to rise. Well-informed investors who recognized the value while the stock lingered at a cheaper price begin to reap the benefits of their foresight.

Despite the recent tariff tumult and economic uncertainty, our method for finding quality value stocks has remained the same. When we look for value stocks to buy, we usually start by looking at a few basic ratios. For example:

- **Low price-to-earnings and price-to-book ratios**—a sign of a cheap or undervalued investment.
- **Low price-to-book-value ratio**—another sign that the stock is cheap in relation to other stocks on the market.
- **High dividend yield**—the stock’s annual dividend divided by the share price. A high dividend yield could indicate a cheap stock that is set to rise.

Value stocks can test your patience by moving sluggishly for months, if not years. But they can make up for it by rising sharply when investors discover their true value.

Apart from financial ratios, a big part of finding undervalued stocks is about finding hidden value or assets in a company. That hidden value can take the form of real estate, research spending or customer loyalty (See page 7).

Companies often spin off or create new companies from internal divisions, or subsidiaries, when they feel it isn’t a good time to sell them outright. Instead, they choose to hand out shares of the new firm to their shareholders. That often results in an undervalued stock—and a great buying opportunity (See page 13).

How to build your investment plan on solid value investing principles

One of the most common investment platitudes you'll ever hear is that investors should "have a plan (or system) and stick to it." This is good advice if your alternative is to invest without any sort of plan. However, unlike the time-tested value investing approach, many of today's investment plans are not worth sticking with.

Value investing: Look beyond financial indicators

When they first set out to formulate a plan, many investors decide to base investment decisions on a handful of measures. For instance, they may want to see a p/e ratio (the ratio of a stock price to its per-share earnings) below 15.0, say, along with an earnings growth rate of 20% or more annually, and perhaps a 2% dividend yield.

This approach worked a lot better in the pre-computer age, when investing was more labour-intensive. Few people wanted to dig through old newspapers, annual reports and other material to get at the data. So more gems were left to be found by those willing to do the work.

Today, if you find a stock with this (or any comparable) combination of favourable ratios, it probably comes with some more-or-less hidden drawback not covered by your system. Instead of steering you away from investments that you don't understand, or that harbour hidden risk, this system will steer you toward them. Here, on the other hand, is what we know works:

Stick with value and resist the urge to invest based on momentum

With momentum-based investing, you tend to ignore value investing principles. Instead investors only focus on buying stocks that are going up, particularly in response to earnings reports that beat forecasts. These kinds of criteria are easy to track electronically, so momentum favourites tend to get overpriced quickly. When a momentum favourite reports an unexpected earnings downturn or warning, however, it can drop 25% to 50% instantly.

Other kinds of systems, or plans, are aimed at avoiding risk by buying put options. That's meant to give you a way of avoiding losses on your holdings just like stop-loss orders are used to sell falling stocks before they drop too far. Both will cut risk substantially, but they are even more effective in cutting profit. Plans like these are sure-fire ways to generate commission income for your broker.

The best investment plans or systems use a variation of our value investing approach. That is, they revolve around choosing high-quality investments and diversifying your holdings. Our three-pronged value investing program takes that general description a little further. We advise you to invest mainly in well-established companies; focus on companies that are outside the broker/media limelight; and spread your money out across most, if not all, of the five main economic sectors (Manufacturing & Industry; Resources; Consumer; Finance; Utilities).

Look beyond a high dividend yield

Value stocks typically offer a high dividend yield. That means their dividend payouts are high in relation to their individual stock price.

We've always placed a high value on dividend stock investing at TSI Network, mainly because it provides something of a measure of safety for stocks we recommend. After all, you can't fake a record of dividends.

It takes a lot of success and high-quality management for a company to have the cash to declare and pay a dividend every year for five or 10 years or more. It's not something you can create on the spur of the moment.

But when looking for value stocks, you should avoid the temptation to reach for yield. That is, choosing investments solely because they offer a high dividend yield.

A high dividend yield may signal danger rather than a bargain, if it reflects widespread investor skepticism that a company can keep paying its current dividend.

Dividend cuts will always undermine investor confidence, and can quickly push down a company's stock price.

Above all, for a true measure of stability, focus on high dividend companies that have maintained or raised their dividends during a recession or stock-market downturn. That's because these firms leave themselves enough room to handle periods of earnings volatility. By continually rewarding investors, and retaining enough cash to finance their businesses, they also provide an attractive mix of safety, income and growth.

How to identify the most undervalued stocks: Financial analysis

There are two basic steps to finding undervalued stocks: first, develop a rough list of stocks that meet your basic criteria and direct you to investigate further; second, do more in-depth analysis of these stocks by examining their financial data.

Price-earnings ratio: The p/e is the ratio of a stock's market price to its per-share earnings. Generally, the rule is that the lower the p/e, the better, and a p/e of less than, say 10, represents excellent value. We calculate each p/e ratio using the most current financial data. But we also verify the “quality” of the earnings. This means we factor out low p/e's that arise if a company sells off assets or subsidiaries and records a large one-time gain. (That inflates the p/e, and is not representative of its true ongoing operating earnings.) Similarly, we add back any one-time write-offs so we don't miss any stock that has a low p/e on an ongoing basis.

Remember, a low p/e can be a danger signal. A low share price in relation to earnings may mean earnings are falling or about to fall. That's why we don't view p/e ratios in isolation. Instead, we check to see if other ratios confirm or contradict their value.

Price-to-book ratio: The book value per share of a company is the value that the company's books place on its assets, less all liabilities, divided by the number of shares outstanding. Book value per share is a rough approximation of the actual value of the company's assets. It represents a “snapshot” of an instant in time, and could change even the day after the financial statements are issued.

Asset values on a company's books are the historical value of the assets when they were originally purchased, minus depreciation. Certain types of assets on a balance sheet might have actual market values well above historical values, as sometimes happens with real estate or patents.

When we find a stock with a low price to book value, we look to see if the price is too low, or if the book value per share is inflated. Most often, it's because the price is too low. But, sometimes, assets are about to be written down. In that case, the stock should be avoided.

Price-sales ratio: This measure represents the ratio of share price to per-share sales and is not as widely known as the p/e, or price/book ratio. Still, it can be even more important in pinpointing an undervalued stock. Sales are more stable than earnings, so a company's p/s ratio can tell you more about it than its p/e. Sales are less subject to manipulation by management or distortion by accounting rules. When a company's shares trade for less than its per-share sales, it may be cheap. On the other hand, only a handful of companies are worth more than say, three times sales. But companies that deserve a high p/s may prove to be your best investments.

Price-cash flow ratio: Cash flow is actually a better measure of a company's performance than earnings.

While reported earnings are subject to accounting interpretation and can be restated in later years, cash flow is really a measure of the cash flowing into a company less cash outlays. Simply put, it's earnings without taking into account non-cash charges such as depreciation, depletion and the write-off of intangible assets over time. Cash flow is particularly useful in valuing companies in industries where depreciation and depletion charges are based on the historical value of assets, rather than current values — industries such as oil & gas and real estate.

When we've found a company that meets the value criteria above, we then look at other important factors that help determine the long-term value of the stock:

Quality of the business: Once we've found a company that appears attractive on a value basis using the four ratios detailed above, we look to see if it is a solid operating business, with rising sales, earnings and cash flows in a growing industry.

The next factors we look at are key ones for investors looking for stock price gains.

Safety factors:

- **Industry prominence if not dominance.** Major companies can influence legislation, industry trends and other business factors to suit themselves. Minor firms, on the other hand, don't have that power.
- **Geographical diversification.** Canada-wide is good, multinational better. There's extra risk in firms confined to one geographical area.
- **Freedom to serve (all) shareholders.** High-quality value stock picks must be free of excess regulation, free of dependence on a single customer, and free from self-dealing insiders or parent companies.

Survival/growth factors:

- **Freedom from business cycles.** Demand periodically dries up in "cyclical" businesses, such as resources and manufacturing. That's why you need to diversify. Invest in utility, finance and consumer stocks, along with cyclical resource firms and manufacturers.
- **Ability to profit from secular trends:** These trends outlast ordinary business booms and busts, because they reflect ongoing social change. Free trade and rising environmentalism are just two examples of secular trends.
- **Ownership of strong brand names and an impeccable reputation.** Customers keep coming back to these businesses, and will try their new products.

One of the prime keys for evaluating a value stock—the presence of hidden assets

For a long time, we've written about the “heads-you-win-tails-you-break-even” phenomenon. That's what you get in an investment that exposes investors to limited risk of long-term loss, but one that can deliver healthy if not substantial returns.

These situations sometimes come about when a stock has been an unimpressive or weak performer for a number of years. When that happens, investors often focus on the earnings weakness and lose sight of the company's assets.

If you buy a stock for its hidden assets, but those assets stay hidden or ignored by investors—or turn out to be less valuable than you thought—it can't hurt your investment. By definition, a stock's hidden assets have not had much impact on its price. If you paid little if anything for the assets, you have little to lose. But the best hidden assets will eventually expand a company's profit, grab investor attention, and push up its stock price.

Hidden assets in real estate

For instance, when a company buys real estate, the purchase price goes on its balance sheet as the historical value of the asset. Over a period of years or decades, the market value of that real estate may climb substantially. But the purchase price remains unchanged on the balance sheet.

You have to look closely to spot this hidden value. At times, the hidden value in a company's real estate can come to exceed the market value of its stock. This hidden value may only become apparent to investors when the company upgrades the use of the real estate. For example, a merchandiser might repurpose a parking lot to build a shopping mall with a residential condo tower on higher floors, and a parking garage down below.

You may recall that Canadian Pacific Railway was something of a dullard in the stock market of the 1980s. But it became a huge winner for us in the 1990s and 2000s, when it put its real estate and other hidden assets to more profitable uses.

Hidden assets in customer loyalty

Companies may have a hidden asset in their relationship with a clientele of loyal customers. After a series of satisfactory dealings, long-time customers develop a level of trust that makes them receptive to related offerings from the company. For example, Apple was able to move into the digital music player and smartphone businesses as quickly as it did in the past decade because it had an established core of fans for its Mac computers.

Seek out hidden assets early

The best time to find hidden assets is when they're still hidden, long before the company begins taking steps to profit from them. Understanding and seeking out hidden assets while you're-

evaluating a stock can add enormously to your profits in the course of an investing career. But you need patience to profit from them, because they can stay hidden for a long time after you buy.

Hidden assets can also cut your risk. Stocks with hidden assets are likely to hold up better than those whose assets are easier to spot, since they are the last stocks that experienced, successful investors sell. When times are good, on the other hand, stocks with hidden assets tend to do better than average. Good times give them opportunities to put their hidden assets to work.

Bonus Tip: How to identify hidden value in tech stocks

Value stocks don't always start out as value stocks. For example, many new tech stocks start out as growth stocks and transition into value stocks. The best value stocks among them usually have "hidden value" in the form of research and development spending.

Hidden value is one of the key factors we look for when we choose stocks to recommend. By hidden value, we mean valuable assets that are not getting the attention they deserve from investors. The best tech stocks often hold hidden value that only savvy investors can spot.

When a company's assets are wholly or partially hidden, the stock trades for less than it's really worth, so you get to buy at a bargain price.

When we pick stocks in the more volatile technology field, one of our favourite hidden assets is high research spending. That's because technology stocks have to treat their research spending as a day-to-day expense, much like salaries or taxes. So, research spending comes out of the current year's sales, and it lowers the current year's earnings.

As a result, many tech stocks' earnings per share may look lower than those of stocks in other industries. That causes some investors to overlook promising tech firms, or to see them as overpriced.

However, research and development spending has the potential to pay off in dramatic long-term returns. That's because the products that grow out of this spending will help tech firms increase their long-term sales and profits.

We see high research spending as an especially powerful ingredient for technology stocks that will profit from a global economic recovery. That's because they'll be ready with new and improved products that businesses and consumers will want to use when they increase their technology spending.

Even with high research spending, not all tech growth stocks are good investments. There are four main risk factors you face when investing in tech stocks. Below we look at ways you can minimize these risks—and increase your profits.

- **Marketing is as hard as inventing:** Even a great new product or computer program may fail to overcome retailer and customer skepticism. Tech stocks can have an uphill battle when they first hit the market.

- **A tech stock's acquisitions can bring "time-bomb" risk:** Companies sometimes grow quickly by buying other companies. But sellers may simply want out of a losing situation. Growth by acquisition can work out, but it can also mean a waste of capital and time.
- **Major tech stocks also make mistakes:** Junior tech stocks often trumpet their deals with major firms, such as Apple. Apple has vastly more knowledge and bargaining clout than any individual investor. But it still invests in products that fail.
- **High-tech shams are common:** It's easier to set up a company and sell stock to investors than to perfect a technological advance. Be especially wary when tech stocks splurge on elaborate web sites and glossy investor brochures.

You can minimize your risk to tech stocks by considering the following:

- **Diversify:** Tech stocks have more than their share of winners and duds. So, invest carefully and buy 5 to 10 technology stocks instead of just one. Gains on your winners should overwhelm your losses.
- **Focus on up-and-coming technologies:** For this, you need to know how technology is changing. Read and absorb the latest tech blogs. Learn about the technologies that are exciting tech companies. For instance, rising use of wireless devices, like the iPhone and iPad tablet computer, is increasing demand for faster, more reliable wireless networks. Artificial intelligence, 3D printing and virtual reality are exciting technologies that have Silicon Valley buzzing.
- **Buy multi-product companies:** Technological advances come in spurts, and leapfrog each other. Focus on tech stocks with a variety of existing or soon-to-be-released products, and avoid one-hit wonders.
- **Look for earnings:** A perpetual money loser will eventually go broke, no matter how impressive its technology. But if it makes even a little money, it can stay in business and perhaps reap the bonanza of a new product.
- **Look closely at balance sheets:** Does the tech stock have real estate holdings? How much do they own? This could be another source of hidden value in the future.
- **Look for loyalty:** Does the growth tech stock in question have a loyal following? Apple is the perfect example of a growth tech company that leveraged its loyal fan base to jump start the digital music revolution with the iPod.

How to find big value in a holding company discount

A holding company discount is a well-known phenomenon in finance. It represents a special kind of hidden asset and source of potential profit for investors in holding companies.

A holding company is a company that owns all or a substantial part of a variety of different businesses. These businesses may be private companies, or publicly traded. Holding companies may own all, or a majority or a minority, of companies in which they invest. The one thing most holding companies have in common is that they trade for less than the combined value of their holdings.

A holding company discount comes into play when holding companies sell assets or break themselves up into their constituent parts. In other words, holding companies can usually sell their assets for fair market value, rather than at a discount. In addition, fair market value may turn out to be more than analysts figured they were worth. The holding company discount lets you prosper from a holding company breakup—although it may take years or even decades for that value to be realized.

Meanwhile, though, even without a break-up, buying a holding company at a discount to its asset value puts more assets to work for you for each dollar you invest.

Why holding companies trade at a discount to their asset value

Over the years, many academics have tried to identify the reasons why holding companies so often sell at a discount to their asset value.

Here are some common explanations:

1. Holding company managers are stretched too thin, and may have to run businesses they don't really understand. As a result, they may make less than optimal use of the holding company's assets.
2. It costs money to break up a holding company and sell the pieces. Investors may fear these costs will exceed gains from the elimination of the discount. Uncertainty over these costs can expand the discount all the more.
3. Some holding company assets are invested in private companies, which can be difficult to value.
4. Asset variety can lead to perverse incentives. Managers may starve their best businesses so they will have funds available to rescue failing divisions.

In the end, though, one of the main reasons holding company discounts occur is because these companies have a poor reputation. Today's investors prefer so-called "pure plays"—companies that focus on a single business area. So, if a holding company owns two or more distinct pure plays, it may trade for 15% to 35% less than the combined value of its assets.

Big change from the 1960s

This is a reversal of the pattern from the 1960s. Back then, investors sometimes paid a premium for holding companies or conglomerates that owned a variety of businesses. The idea was that these different businesses would profit from “synergy,” a term borrowed from biology. It implies that the various businesses can work together and be worth more as a whole than as individual companies.

Like most investment fashions, synergy wound up costing investors money. Many 1960s-era conglomerates ran into serious problems in the 1970s and 1980s. That was mainly due to the #1 drawback of holding companies, mentioned above: their managers were stretched too thin, and were in businesses they didn’t really understand.

Two holding company discounts that have paid off for us

We’ve had a number of big successes recommending stocks with holding company discounts over the years. Here are two top examples:

1) **Canadian Pacific Kansas City** (symbol CP on Toronto) has been one of our long-time favourites. We recommended the stock in our first issue of *The Successful Investor* in January 1995. It moved up for us in the late 1990s, though much more slowly than Internet and technology stocks. However, CP held up well in the market downturn of the early 2000s. It set out to eliminate its holding company discount by splitting up its five subsidiaries in October 2001.

CP’s reorganization removed the holding company discount that had weighed on the stock for years. The company was trading at about a 30% discount to its net asset value before the announcement, and the breakup closed that discount. This, though, was just the start of a series of big gains for CP investors.

The five publicly traded companies CP split into were CP Rail, CP Ships, Fording Coal, PanCanadian Energy and Fairmont Hotels. In 2002, PanCanadian merged with Alberta Energy to form EnCana, which split into Encana (now called Ovintiv) and Cenovus in December 2009. As well, CP Ships, Fording Coal and Fairmont Hotels were all taken over at substantial premiums. All of these mergers, breakups and takeovers unlocked significant shareholder value.

2) **Maple Leaf Foods** (symbol MFI on Toronto and another *Successful Investor* recommendation) announced in October 2013 that it planned to break up by selling its undervalued 90% stake in Canada Bread, Canada’s second-largest producer of baked goods after Weston Bakery. Canada Bread supplied a third of Maple Leaf’s sales. The remaining 10% interest was publicly held.

In February 2014, Maple Leaf accepted a \$72.00-a-share takeover offer for its shares of Canada Bread from Mexican bakery giant Grupo Bimbo SAB.

Maple Leaf used the \$1.8 billion of proceeds to complete an ambitious restructuring it began in 2010. This plan included unloading less profitable businesses and modernizing its meat-processing plants. The company also used the cash to pay off its \$1.5-billion debt.

The company also recently spun off its pork processing business, which raises and processes hogs, as a separate firm called Canada Packers Inc. (Toronto symbol CPKR). Investors received 0.2 of a Canada Packers share for each Maple Leaf share they held. They will not be liable for capital gains taxes until they sell their new shares.

Maple Leaf continues to own 16.0% of Canada Packers. So far, it does not plan to sell that stake.

A corporate spinoff offers much better ‘value’ than a new issue or IPO

From time to time, companies set up one or more of their divisions or subsidiaries as an independent firm, then hand out shares in that company to their own investors as a special dividend, or “corporate spinoff.” Baxter International and eBay are two major companies that have done it with great success.

In the case of Baxter International (symbol BAX on New York), it spun off Baxalta (symbol BXL on New York) as a separate division in July 2015. The remaining company, Baxter, is now focused on medical devices, such as intravenous pumps and kidney dialysis equipment. Baxalta makes vaccines and drugs in three main areas: hematology (blood diseases), immunology (immune system) and oncology (cancer).

In the wake of the spinoff, Baxalta agreed to merge with Ireland-based Shire plc (Nasdaq symbol SHPG); it makes drugs for rare and life-threatening diseases. Under the deal, Baxalta investors received \$18.00 a share in cash and 0.1482 of a Shire American depository receipt (ADR) for each share they hold. That gave them 34% of the combined company.

Baxter continues to narrow its operations.

In September 2023, the company sold for \$4.25 billion (or \$3.4 billion after taxes) its BioPharma division, whose products and services help drugmakers manufacture their products.

On February 1, 2025, Baxter completed the sale of its Renal Care and Acute Therapies unit to investment firm Carlyle Group Inc. (New York symbol CG). Called Vantive, that business makes kidney dialysis machines and related equipment; it accounted for 30% of Baxter’s total revenue.

The company originally planned to hand out shares in Vantive to its own shareholders later this year, but it ultimately opted for the sale instead. Baxter received \$3.8 billion for Vantive.

As a result of these moves, Baxter now focuses on specialized equipment for hospitals, including intensive-care-unit beds, operating tables, patient monitoring equipment and electronic diagnostic systems.

eBay (symbol EBAY on Nasdaq) also spun off its PayPal online-payment division as a separate firm in July 2015. eBay investors received one PayPal share (symbol PYPL on Nasdaq) for each share they held. PayPal processes online transactions, including purchases made through eBay’s auction websites. In the past few years, it has expanded into stores and mobile payments.

Operating as a separate firm allows PayPal to pursue alliances with more retailers and cut its reliance on eBay. The company also recently shifted its focus to building transaction volumes instead of adding new users. That should improve its long-term profitability. At the same time, PayPal continues to invest in its mobile operations, which will help it profit as more people buy goods through smartphones.

Value in a corporate spinoff versus a new stock issue

You can contrast a corporate spinoff with a new stock issue, which is when a company first sells shares to the public.

The two situations are like two sides of a coin—one favourable to investors, the other unfavourable. The motivations of the companies are nearly opposite.

Companies sell new issues to the public when they feel it's a good time to sell. That may not be, and often isn't, a good time for you to buy.

In addition, the underwriting brokerage firms try to spark publicity about the new issue, and they pay extra commission (as much as double the regular rates) to spur their salespeople to sell the new issue to their clients. This tends to create a high-water mark in the price of the new issue. Unless the new company can follow up with business success, the price of the new issue may languish for months or years.

Some new stock issues—so-called “hot new issues”—depart from this pattern. They begin moving up as soon as they hit the market. Some even “gap upward” on their first day of trading—that is, their first public trading takes place well above the new issue price.

This possibility attracts buyers who fail to appreciate how rare it is. In addition, the underwriting brokers can generally tell when this is going to happen, by judging the reaction of their biggest clients (who of course get first pick on their new issues), and the media. They reserve most of their allotments of hot new issues to their biggest and best clients.

New clients and occasional new issue clients may get to buy only token amounts of a hot new issue, if any.

Speaking very generally, your best course of action as an investor is to stay out of most new issues. You're better off to wait until they have been trading for a few years and have shown some of the potential that the initial hype promised.

When it comes to a corporate spinoff, the situation—and our advice—is largely the opposite. A number of studies have shown that after an initial adjustment period of a few months, spinoffs tend to outperform groups of comparable stocks for several years. For that matter, the parent companies also tend to outperform comparable firms for several years after a spinoff. That above-average performance makes sense for a couple of reasons.

First, company managers naturally prefer to acquire or expand their assets, not get rid of them. Getting rid of assets reduces a company's total potential profit, which reduces the funds it has available to pay its managers. The management of a parent company will only hand out a subsidiary to its own investors if it's fairly confident that the subsidiary, and the parent, will be better off after the spinoff than before.

Second, corporate spinoffs involve a lot of work and legal fees. The parent will only spin off the unwanted subsidiary if it can't sell the stock for what it feels it's worth. That's why companies only have an incentive to do spinoffs under two sets of favourable conditions: When they feel it isn't a good time to sell (which often means it's a good time to buy); or, when they feel the assets they plan to spin off will be worth substantially more in the future, possibly within a few years.

Oddly enough, many investors react to spinoffs as a nuisance, because they leave you with a tiny holding in a stock you didn't choose and know little about. As a result, these investors may dump any spinoffs they receive as soon as they get around to it. They'd be better off to buy more of any spinoff they receive, because spinoffs seem to come with the odds set in the investors favour.

Needless to say, things don't work out this well every time. Corporate spinoffs and their parents sometimes run into unforeseeable woes. However, human nature makes it a good bet that both the parent and spinoff will prosper.

Four of Our Favourite Value Stocks:

From TSI Canadian Wealth Advisor

GEORGE WESTON LTD. (Toronto symbol WN; Consumer sector; Dividend yield: 1.2%) gives you exposure to its 52.6% stake in Loblaw and 61.7% stake in Choice Properties REIT (symbol CHP.UN on Toronto). That's Canada's biggest REIT.

In December 2021, George Weston completed the sale of its Weston Foods fresh and frozen bakery business to FGF Brands for \$1.1 billion. It also found a buyer for its remaining food business, which included cookies and crackers. Illinois-based Hearthside Food Solutions paid \$370 million.

The two sales gave George Weston lots of cash (now at \$2.44 billion) to buy back shares or boost dividends. It will also let it focus on supporting Loblaw, as well as expanding Choice Properties' real estate portfolio. Choice has lots more development potential in Canada's top urban markets. That includes condo and apartment segments.

George Weston is a buy.

From Power Growth Investor

NORTH WEST COMPANY (Toronto symbol NWC; Consumer sector; Dividend yield: 3.2%) sells food and everyday products and services through 230 stores. Those locations are mainly in northern communities across Canada and Alaska. Through your shares, you also tap the company's operations in remote regions of Hawaii, the South Pacific and the Caribbean.

The company signed a 30-year deal in 2002 with Ottawa-based Giant Tiger for the exclusive right to open and operate Giant Tiger general merchandise stores in Western Canada.

In July 2020, the company sold 36 of its 46 Giant Tiger retail stores for \$45 million. It could receive an additional \$22.5 million if certain profitability targets are met. Of the 10 remaining stores, it runs five Giant Tiger locations. It converted a sixth to a Valu Lots clearance centre. The other four were closed in the third quarter of 2020. North West recorded an after-tax gain of \$20 million on the sale.

North West's food stores remained open during the onset of the COVID-19 pandemic as they provide essential products to remote communities. As a result, the company maintained its dividend, and the stock has rebounded strongly from its March 2020 low of \$22 to its current price of over \$52.

North West's dominant market share in northern communities should continue to support its dividend. It now yields a high 3.1%.

North West Company is a buy.

From TSI The Successful Investor

TORONTO-DOMINION BANK (Toronto symbol TD; Finance sector; Dividend yield: 3.3%) is Canada's second-largest bank (after Royal Bank) by market cap.

In October 2024, the bank settled charges over lapses in the anti-money laundering processes at its U.S. retail banking operations. As a result, it paid a fine of \$3.09 billion U.S.

The settlement also imposed an asset cap on TD's U.S. retail banking operations. That will prevent TD from opening new branches, making acquisitions or expanding its loan portfolios without the permission of regulators.

In response, the bank will close 38 branches across 10 states and Washington, D.C. It will still have over 1,000 locations in the U.S., mainly in the Northeast and Atlantic Seaboard.

TD also sold its entire 10.1% stake in Charles Schwab Corp. (New York SCHW) for about \$14 billion U.S. (or \$20 billion Canadian).

TD now plans to improve its efficiency, mainly by making better use of technology. That includes using artificial intelligence (AI) to speed up the processing of transactions. It will also cut jobs and close branches.

At the same time, the bank plans to expand earnings from its fee-based businesses, including wealth management, insurance and wholesale banking (arranging financing for corporations and securities trading). It will accomplish that goal mainly by cross-promoting more services to existing clients.

In all, TD expects this new plan (along with savings from an earlier restructuring) will cut between \$2.0 billion and \$2.5 billion from its annual costs by the end of the fiscal year ending October 31, 2028.

TD announces dividend increases annually instead of two or more times per year. With the January 2026 payment, it raised your quarterly dividend by 2.9% and the stock now yields 3.3%.

TD Bank is a buy.

From TSI Wall Street Stock Forecaster

WALMART INC. (New York symbol WMT; Dividend yield: 0.7%) is the world's largest retailer, with over 10,800 stores in 19 countries.

Walmart has a long history of using technology to monitor its inventories. That lets it avoid costly markdowns for unsold goods as well as product shortages.

The company is now adding artificial intelligence tools to better predict shopping trends and speed up its deliveries. A new alliance with the creator of the popular AI chatbot ChatGPT should also spur sales for its online channels.

Walmart also uses acquisitions to bolster its expertise. For example, in December 2024, it paid \$1.9 billion for Vizio Holding Corp (New York symbol VZIO). That firm makes TV sets and soundbars.

Walmart has little interest in manufacturing electronics. However, the purchase gave it control of Vizio's SmartCast Operating System, which streams ad-supported content on its devices to 19 million subscribers.

Studying the viewing and purchasing habits of those users will help Walmart create ads that better appeal to those users and prompt more purchasing. That will also help draw more advertisers to Walmart Connect, the company's advertising platform. Each week, it reaches over 150 million customers shopping in store and through Walmart's websites in the U.S.

Walmart has increased its annual dividend rate each year since 1974. With the April 2025 payment, the company raised your quarterly dividend by 13.3%. The new annual rate of \$0.94 yields 0.7%.

Walmart is a buy.

Conclusion

Value stocks are generally good bargains, but not all bargain stocks are good values. The search for value stocks that will rise, and hold their value over time, begins with sound fundamental investing. You look for stocks that are trading at prices that seem cheap in relation to their sales, earnings and assets. That is, stocks that have what it takes to be successful in the long term, even if investors haven't yet anticipated just how successful the company can be.

Typically, when we find hidden assets, we find good value stocks. Indeed, some of the value stocks that have done best for our subscribers are well-established stocks that unlocked the hidden value in their real estate holdings, their brand name, the quality of their research or other assets that were not on their balance sheets. This is why we pay special attention to holding company discounts, and spinoffs that frequently reward investors by bringing hidden assets to the fore. As a rule, the deeper the value, the greater the potential for profit.

Our search for value inevitably begins with our three-part investing program. This approach forms the core of all the advice you get in our newsletters, and on TSI Network.

1. Invest mainly in well-established, mainly dividend-paying companies.

When the market goes into a lengthy downturn, these stocks generally keep paying their dividends, and they are among the first to recover when conditions improve.

2. Spread your money out across the five main economic sectors (Manufacturing & Industry; Resources & Commodities; Consumer; Finance; and Utilities).

This helps you avoid excess exposure to any one segment of the market that is headed for trouble. Diversifying across the five sectors will also dampen your portfolio's volatility in the long term, without the shrinking in its potential that you'd get if you invest significantly in bonds yielding little more than 4%.

3. Avoid or downplay stocks in the broker/media limelight.

That limelight tends to raise investor expectations to excessive levels. When companies fail to live up to expectations, these stocks can plunge. Remember, when expectations are excessive, occasional failure to live up to them is virtually guaranteed, in the long term if not in the short.

These three investing philosophy principles guide us in every portfolio we manage. Using these three value-investing principles will help protect your money during periods of market turbulence, and help you profit when the market rises.

About TSI Network

With over four decades of experience as an advisor, commentator, editor and publisher, Pat McKeough has a long record of determining which stocks are bound to reward investors most.

Over the past two decades he has been the editor and publisher of a growing series of investment newsletters through *TSI Network*. Pat also offers two investment advice services, *Inner Circle* and the advanced *Inner Circle Pro*. Since 1999, he and his team have put his investment approach to work for private clients in his Successful Investor Wealth Management business.

His philosophy is anchored in safety and a balanced portfolio to generate accelerating gains for subscribers and clients. TSI Network now publishes seven newsletters for every kind of investor:

1. ***The Successful Investor***—Pat’s flagship advisory continues to be a beacon for Canadian investors seeking growing gains and reduced risk with the best Canadian stocks.
2. ***Stock Pickers Digest***—If you like the idea of “a conservative approach to aggressive investing”, this advisory has Canadian and U.S. stocks with escalating growth potential.
3. ***Wall Street Stock Forecaster***—Your portfolio is much stronger with at least 20% in U.S. stocks—and this special advisory covers the 70 best U.S. stocks for Canadians.
4. ***Canadian Wealth Advisor***—A ‘safety-first’ advisory offering you the best conservative strategies based on well-established Canadian dividend stocks, ETFs and REITs.
5. ***TSI Dividend Advisor***—In this advisory, our exclusive Dividend Sustainability Ratings® will change the way you look at dividend stocks—and the way you invest in them.
6. ***Spinoffs & Takeovers***—If you’d like “the closest thing to a sure thing in investing,” this advisory on spinoffs and other special opportunities is utterly unique.
7. ***The Best ETFs for Canadian Investors***—This ground-breaking publication shows you how to get the best results with ETFs as these investments explode in popularity.

In 2002, Pat founded his ***Inner Circle***, offering investors more personal attention, plus access to his four original publications. Members can ask Pat personal investment questions. They also get his commentaries and answers to questions posed by other Inner Circle Members. In 2017 he launched ***Inner Circle Pro***, an advanced group that receives all seven of his newsletters.

Through ***Successful Investor Wealth Management***, Pat and his team manage assets under management verging on \$1 billion and growing, for individual Canadian investors. Free of comprising ties to brokerages, with no hidden costs or commissions, the team charts an independent course for clients. For the past 18 years the portfolios they manage for clients have enjoyed an uncommonly high annual average return.

You will find more information on all of these services at www.tsinetwork.ca.

Successful Investor Wealth Management

Pat McKeough offers personal portfolio management advice to a number of individual investors, his Successful Investor Wealth Management clients.

Before becoming our clients, many followed Pat's advice through our investment newsletters. Others were referred to us by satisfied portfolio management clients. All benefit from the fact that this service is free of the conflicts of interest that distort so many other sources of investment advice.

A strong team of experts contribute an enormous amount of time and research to the Successful Investor Wealth Management service. But Pat personally approves every transaction in every portfolio.

If you'd like to know more about this unique portfolio management service, please call **1-888-292-0296**.

