



## 4 Stocks to Own in a Market Correction

### Description

As of yesterday's close, even with the recent sell-off, the Toronto Stock Exchange is still at levels not seen since the pre-1998 meltdown. If you are like me, feeling uneasy about valuations and worried that stocks may be vulnerable to weakness, does that mean you should get out of equities altogether? No, but what you should be doing is getting rid of those stocks that are particularly vulnerable in a weak market, and concentrate your holdings on those stocks that are likely to outperform in one.

In [my previous article](#), I reviewed three stocks that I believe would underperform in a market correction, and here I review four stocks that should outperform in a weak, nervous market that is in a correction. These stocks are all supported by a healthy dividend, which should provide downside protection and obviously dividend income as you weather the storm, as well as reasonable valuations.

**Chartwell Seniors Housing Real Estate Investment Trust** ([TSX: CSH.UN](#)) owns a large portfolio of retirement homes in Canada and the U.S., and is set to benefit from increasing demand for rooms in the coming years. The stock is supported by its dividend yield. The company currently has a dividend yield of 5.07%, which is fully covered by funds from operations, and although the company has recently struggled with weaker occupancy rates, in the coming years demand is expected to increase more than the new supply of retirement homes. Currently, occupancy levels are at 90%, with the potential to increase a few percentage points as demand increases. The leverage to increases in occupancy rates is very significant.

In a recent transaction, the company sold off four non-core U.S. properties for U.S.\$136.1 million, in line with its strategy to focus its U.S. investments on three core states of Florida, Texas, and Colorado.

**Northwest Properties REIT** ([TSX: NWH.UN](#)) is trading at a P/E ratio of 11.3 times and has a very impressive dividend yield of 8.06%, both of which make it less vulnerable to a stock market downturn. The dividend is also covered by funds from operations — the payout ratio is just over 92%. Growth at this REIT is more moderate than at Chartwell, but nevertheless it is a stable performer that is striving to grow its portfolio of medical real estate buildings. The dividend yield is super attractive and makes up for the lower growth profile.

**BCE** ([TSX: BCE](#))([NYSE: BCE](#)) is currently yielding a very attractive 5.1%. With that dividend yield, an ROE of almost 20%, strong cash flow generation, and a history of rewarding shareholders, the stock should outperform in a down market. Although the government plans to encourage competition in the wireless market by reserving wavelength rights for new entrants, it still has an enviable and unmatched telecom network that will be difficult to replicate.

**Agrium** (TSX: AGU)(NYSE: AGU), a global producer and marketer of nutrients and agricultural and industrial products, trades at a mere 14 times earnings. Although the latest earnings were disappointing, clocking a 92% drop in net income, demand for crop input products and services has been strengthening so the future is looking brighter. The consensus expectation from analysts is that earnings will ramp up in 2015 to \$8.64 from \$6.94 in 2013, and thus the the stock will look increasingly cheaper. Furthermore, the company has an attractive dividend yield of 3.4%.

Positioning your portfolio for a stock market correction is an important consideration, and you can make adjustments that would serve your goal of preserving your capital in this environment. The stocks listed above should do just that. These stocks, given their reasonable valuations and their above-average dividend yields, should weather the storm relatively well. This, along with selling or at least lightening up on the more expensive, high-multiple stocks, is a good action plan for those investors that are anticipating a stock market correction.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:CSH.UN (Chartwell Retirement Residences)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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