2 Stocks to Help Reduce Volatility in Your Portfolio

Description

The recent pullback in the Canadian market is taking its toll on investors who don't have enough diversity in their holdings.

In Canada, building a balanced portfolio is easier said than done because financial, energy, and materials stocks absolutely dominate the market.

Fortunately, investors can still find quality names that are more defensive in nature and are not part of the larger sectors. **Fortis Inc.** (TSX:FTS) and **Metro Inc.** (TSX:MRU) are two such picks. Here's why they offer stable growth as well as low volatility.

Fortis

Fortis is an electricity generation and natural gas distribution company that owns and operates assets in Canada, the U.S., and the Caribbean.

The stock is a favourite among income investors because it gets about 93% of its revenues from regulated businesses. This is important for the dividend crowd because it means investors have a pretty clear picture of the cash flow and earnings outlook.

It's also a big reason why the stock tends to hold up very well when the market goes through a broad correction.

Things are rolling along quite nicely at the company, and that trend should continue. Last year Fortis spent US$4 billion to buy Arizona-based UNS Energy. The deal is already accretive and gives Fortis a stronger footprint south of the border. Fortis also locked in some gains by selling off its real estate portfolio and recently completed a hydroelectricity project in British Columbia.

Fortis pays a dividend that yields about 3.7% and has increased the distribution every year for more than four decades. That's the reliability you need in a defensive play, and a reason why the company has a low beta of 0.22.

Metro

Metro is a food retailer and distributor focused on the provinces of Ontario and Quebec. The company operates about 800 grocery stores under the banners of Metro, Super C, and Food Basics.

People have to eat whether the economy is strong or going through a rough patch, and Metro has both premium and discount brands, so it wins in any situation.

The company also operates 250 drug stores and pharmacies that support a large clientele of retirees, arguably the most recession-proof demographic in the country.

In the most recent earnings statement, Metro reported a 6.1% year-over-year increase in sales and a 13.1% gain in net earnings.

The company’s dividend yield is just 1.3%, but the company has a strong track record of bumping up the distribution. Investors have watched the shares more than double over the past five years.

Metro’s regional focus and recession-resistant business makes it a great defensive pick. With a beta of just 0.18, the stock is significantly less volatile than the broader market.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)
2. TSX:MRU (Metro Inc.)

Category

1. Investing

Date
2025/07/08
Date Created
2015/09/28
Author
aswalker