# 2 Defensive Stocks I'd Buy With an Extra $5,000

## Description

Diversification is a core part of every investing strategy.

This is lesson that many investors have learned the hard way in 2015 as commodity names across the board have really taken it on the chin.



The commodity cycle will eventually turn, and some names in the space are probably oversold, but investors with money on the sidelines might want to add a couple of defensive stocks to their portfolios before chasing the walking wounded.

Here are the reasons why I think **Metro Inc.** (TSX:MRU) and **Dollarama Inc.** (TSX:DOL) are good picks .

**Metro**

If you live in Ontario or Quebec, you probably put a bit of money into the pockets of Metro's shareholders every week.

With 600 groceries stores and 250 pharmacies, Metro covers most of the shoppers in the two provinces, offering both premium and discount brands that appeal to a full range of consumers.

The company does an excellent job of managing costs and continues to deliver fantastic results. In fact, fiscal Q4 2015 earnings came in 13.9% higher than the same period last year.

Metro pays an annualized dividend of $1.40 per share that yields about 1.2%. The dividend return doesn't look very attractive, but the company increases the payout on a regular basis and the stock appreciation more than makes up for it.

Metro's shareholders have enjoyed a gain of 150% over the past five years.

**Dollarama**

The discount retailer continues to put up big numbers. At some point there is going to be a moment of saturation and the growth will have to slow down, but analysts have been saying this for quite some time and the name continues to outperform.

Canada is working its way through a rough patch. As consumers tighten their belts, they tend to spend more in the discount stores. Dollarama sells low-cost household items and holiday trinkets, but it also offers cheap choices on some basic food staples.

The company has the flexibility to increase prices on some items without risking much of a backlash. That should keep profits rolling in nicely.

Dollarama’s stock price has increased 500% in the past five years and the dividend has doubled in that time frame. The payout still yields less than 1%, but the moves are in the right direction.

At 35 times trailing earnings, the shares are not cheap, and a disappointing quarter would result in a pullback, so investors should wade in slowly. Nonetheless, the stock offers a nice hedge against a weakening economy, and there is still opportunity for significant store growth across the country.

**CATEGORY**

1. Investing

**POST TAG**

1. Editor's Choice



**TICKERS GLOBAL**

1. TSX:DOL (Dollarama Inc.)
2. TSX:MRU (Metro Inc.)

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