



Worried About Volatility? Ride Out the Storm in These 3 Boring Stocks

Description

The last six months haven't been a good time to be an investor in Canada.

The TSX Composite Index has gotten crushed, falling approximately 15%. Commodities have been the hardest hit, but just about every sector has felt at least some of the pain. The market is littered with former growth stories that are now in danger of going bust.

It's created some terrific buying opportunities, especially in some of those volatile stocks. But after a correction that's now more than 20% off the highs set in 2014, I can understand why many investors might not be willing to stomach that extra price movement. Many just want to go back to basics, buying stakes in boring companies that sell things we need.

Here are three such companies that have historically been far less volatile than the overall market.

Empire Company

Much of the attention from investors gets lavished on **Loblaw Companies**, which is only natural. After all, it's the largest retailer in Canada.

But there's a strong case for buying **Empire Company Limited** ([TSX:EMP.A](#)) instead, the second-biggest grocer in Canada. Between its Sobeys, Safeway, IGA, and other banners, the company boasts more than 1,800 corporate and franchised locations coast to coast. After acquiring Safeway in 2014, Empire finally made itself a true nationwide chain.

The big acquisition has been a mixed bag thus far. The size of the combined chains have made it easier for Empire to get deals from food and drug manufacturers, but Safeway itself has stumbled. Management made some expensive changes to get Safeway's IT systems to give them the same standard as the rest of its stores. Safeway's sales have also been slightly affected by Alberta's weakness.

Still, Empire shares represent a decent value at today's prices. The current P/E ratio is just 15.7, and earnings are expected to grow slightly in both 2016 and 2017. Shares trade at a forward P/E ratio of 15.

Empire also pays a small dividend, which is currently \$0.40 per share annually and works out to a 1.6% yield. With a payout ratio of just 21%, look for some serious dividend increases in the future.

Canadian REIT

People are always going to need somewhere to live. With houses in many major cities across Canada being unaffordable for many and renting increasing in popularity, I think **Canadian REIT** (TSX:REF.UN) is a good, steady, long-term choice for many portfolios.

Canadian REIT is primarily an apartment owner with more than 40,000 suites across Canada. Only 6% of its units are in Alberta compared to 50% in Ontario and 24% in Quebec. This has helped the stock outperform Canada's other large apartment owner, **Boardwalk REIT**, over the last year.

Canadian REIT is also the owner of some 6,000 manufactured home sites. While many investors shun the thought of owning the proverbial trailer park, these sites deliver attractive returns with very little in maintenance. They're also much nicer than portrayed in the media.

Canadian REIT has a current yield of 4.5%. With a payout ratio of just 71% of funds from operations, the dividend looks to be very secure.

BCE

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) might be the finest dividend stock in Canada.

The current yield is 4.7%, which is a great payout. The dividend growth has been even better. In the midst of the financial crisis in early 2009, BCE was merrily chugging along, paying investors \$0.385 per share quarterly. These days the quarterly dividend is \$0.65 per share. That's a solid rate of 9% growth annually.

It seems like BCE touches everyone's life in some way. Between the company's wireless, Internet, television, media, home phone, and sports franchise divisions, chances are you're dropping at least a few hundred dollars per year into BCE's pockets. The beauty of these businesses is they're not terribly dependent on the economy either. Cash-strapped consumers are going to get rid of many other luxuries before giving up their smartphones.

BCE shares trade hands at just over 18 times earnings, which is a reasonable valuation. Earnings are expected to rise to \$3.37 per share in 2016, putting the stock at just 16.4 times forward earnings. It's a fair price for what's been a great performer.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:EMP.A (Empire Company Limited)

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