2 Defensive Stocks for Income Protection and Capital Growth

Description

When creating an income-focused investment portfolio, it's advisable to introduce some dividend-generating resilience that can give the investor some stable, regular, dependable high-yield payouts, even during economic downturns, while at the same time providing some potential for capital gains over long holding periods. The following two consumer defensive stocks, **Rogers Sugars Inc.** (TSX:RSI) and **The North West Company Inc.** (TSX:NWC), could offer these benefits.

Rogers Sugars Inc.

Rogers Sugars Inc. is a consumer defensive stock which offers the best dividend yield on the Toronto Stock Exchange (TSX) at the moment. At the current stock price of $6.78, the $0.09 quarterly dividend translates to a 5.13% annual dividend yield. This is an attractive yield, especially considering the rally on the stock from the $4 range in January 2016 when the yield was a whopping 9% per annum.

The company is a leading producer of sugar, a staple food ingredient. Demand for its natural sugar and sugar variants isn't going away anytime soon. Even though it has some competition from Redpath Sugar Ltd. and smaller regional distributors of foreign and domestic refined sugar, Rogers Sugars's commanding position in the Canadian sugar market isn't threatened yet.

The demand for sugar remains strong, and revenues will likely further grow in the next three years. Investors could see another rally in the stock this year as well as over the next three years.

The North West Company Inc.

This is another stable dividend giant whose earnings are predominantly lowly correlated with overall economic performance. North West is a leading retailer to underserved rural communities and urban neighbourhood markets in northern Canada, western Canada, rural Alaska, the South Pacific islands, and the Caribbean.

At the current price of $29.60, North West Company's quarterly dividend of $0.31 yields a nice 4.19% annually. The declared dividend per share has been increasing since 2012, albeit at a declining rate. Profitability shot up in 2016 and looks like it will be intact over 2017 and 2018.

There has been sustained and accelerating sales growth since 2012 with revenues rising 5.25% year on year between 2014 and 2015 and further staggering 10.6% up in 2016. Even if this impressive growth were to soften going forward, the company still remains profitable and will most likely survive economic downturns due to its product mix being food dominated.

North West has a rich enterprising legacy as one of the longest continuing retail enterprises in the world by being in operation for over 200 years.

The average analyst price target on North West Company is $30.43. At the current price of $29.60, the stock could be considered fully valued for now, currently rated a "Hold" by five analysts, and a "Buy" by two analysts.

Conclusion

These are two consumer-defensive stocks that offer good dividend yields. The two stocks have proven dividend histories and could protect a portfolio's invested capital during downturns should there be any in the near future. Investors could see a further appreciation in the stocks' prices this 2017.

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