



## Natural Disasters and Portfolio Risk

### Description

A hurricane knows no sympathy. Sadly, tropical storms like Hurricane Irma can bring horrible devastation and serve as a source of portfolio risk for investors. As fears of Irma grew throughout last week, **Home Depot Inc.** ([NYSE:HD](#)) and **Lowe's Companies Inc.** ([NYSE:LOW](#)) surged 6-7%. Cashing in on anticipated repairs seems to be a pretty cheap trick. But it is an important reminder that the market sways with current events.

### North West Company Inc.

Grocery store company **North West Company Inc.** ([TSX:NWC](#)) dropped 5.5% on Friday, in part because of damage to its stores in the Caribbean. Could the price continue to drop? Quite possibly, yes.

Meanwhile, the last time the dividend payout was this high for North West was in 2011, when it exceeded 100%. The quarterly dividend payments are 32 cents per share for an annual total of \$1.28. This has nudged ahead of the free cash flow per share, which is \$1.25. Combine this information along with a dividend history that shows a cutback in 2011, and you have to think that buying this stock for the dividend alone, currently yielding 4.28%, may not be a wise move.

### REITs and geographic risk

Real estate investment trusts (REITs) are often considered safe investment havens and good sources of income, but some REITs have higher inherent geographic risk than others.

**Pure Multi-Family REIT LP** ([TSXV:RUF.UN](#)) is a small-cap REIT which trades on the TSX venture exchange; it has grown revenue by 35% annually in the last three years. Operating income is also growing nicely. Although this business appears solid, its portfolio of residential homes exclusively in Arizona and Texas may not be immune to natural disasters.

**Morguard North American Residential REIT** ([TSX:MRG.UN](#)) pays a monthly dividend totaling 4.17% annually, but this source of income has to be weighed against the sizable number of properties located in Texas and Florida. This risk may already be backed into the stock price, since this company trades

at a relatively low multiple, with a price-to-earnings ratio (P/E) of 7.4. While revenue is increasing by 15% per year, earnings per share are dropping by roughly the same amount. Those are enough reasons to be cautious with this stock.

**Killam Apartment REIT** ([TSX:KMP.UN](https://www.scribd.com/document/411111111/TSX:KMP.UN)) is a residential REIT with a market cap approaching \$1 billion. It runs multi-family and apartment operations in major Canadian cities, so there's arguably less geographic risk. It pays a 4.7% dividend yield. The P/E of 13 is higher than Morguard, but this is not high relative to its own historical averages. The price to free funds from operations, a useful REIT metric, is also favourable.

It is times like these that minimizing risk from outside events and singular calamities is worth due diligence.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:HD (The Home Depot Inc.)
2. NYSE:LOW (Lowe's Companies, Inc.)
3. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)
4. TSX:NWC (The North West Company Inc.)

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## Category

1. Investing

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