A 3-Stock Portfolio for Investors Who Don't Like Risk

Description

Some people don't invest in the stock market at all because they find it too risky. They're afraid they'll lose a ton of money, and thus prefer to invest in less risky investments, such as bonds and GICs. However, since those safer investments have low yields, investors risk losing purchasing power and lacking enough money for retirement. It's therefore critical to look for a minimum amount of growth.

It's possible to invest in the stock market without taking a lot of risks, however. There are stocks with low volatility and are therefore less volatile than the market, limiting your risk of losing a lot of money. I'll talk about three defensive stocks with fairly decent returns regardless of the economic cycle, which means you can breathe more easily when it comes to your money.

Telus Corporation (TSX:T)(NYSE:TU)

Telus has a beta of 0.66. That means this stock is theoretically 34% less volatile than the market.

Telus stock has a five-year compound annual growth rate (CAGR) of 11.37%. Its 10-year and 15-year CAGR are 10.8% and 13.23%, respectively. So, Telus returns are about 10% by year, which is fairly decent.

This telecommunications company's earnings are estimated to grow at a rate of 6.1% per year on average for the next five years, which is good.

Telus also pays a dividend that is raised regularly. Its dividend growth rate has been 9.55% for the last five years. The last raise was declared in November, when the dividend was raised by 2.54% to $0.505 per share. This represents an annual dividend of $2.02 per share and gives a yield of 4.3% at the current price.

Dollarama Inc. (TSX:DOL)

Dollarama has a beta of 0.11. That means that this stock is theoretically 89% less volatile than the market.

Dollarama stock has a five-year CAGR of 39.72%. We cannot calculate a 10-year and 15-year CAGR, as Dollarama has been only been trading since 2009. If we calculate a CAGR over eight years, that gives us a CAGR of 40.17%. Thus, Dollarama returns about 40% each year, which is high. So you can earn high returns without taking much risk — an ideal scenario.

This dollar-store chain's earnings are estimated to grow at a rate of 17.5% per year on average for the next five years, a very good rate.

Dollarama also pays a dividend that, despite being small, is raised regularly and quickly. Its dividend growth rate has been 14.87% for the last five years. The last raised was declared in March 2017, when the dividend was raised by 10% to $0.11 per share. This represents an annual dividend of $0.44 per share and provides a yield of 0.3% at the current price.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

Fortis has a beta of -0.02. That means this stock has almost zero volatility and moves in the opposite direction from the stock market.

Fortis stock has a five-year CAGR of 8.06%. Its 10-year and 15-year CAGR are 7.05% and 10.80%, respectively. Accordingly, Fortis returns about 8% by year, which is pretty good.

This utilities company's earnings are estimated to grow at a rate of 5.5% per year on average for the next five years, which is good.

While being a low-risk stock with a stable business, Fortis also pays a dividend that is raised regularly. Its dividend growth rate has been 6.51% for the last five years. The last raise was declared in October, when the dividend was raised by 6.25% to $0.425 per share. This represents an annual dividend of $1.70 per share and gives a yield of 3.9% at the current price.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TU (TELUS)
3. TSX:DOL (Dollarama Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:T (TELUS)

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Author
sbchateauneuf