Buy These 3 Companies to Protect Against a Bear Market

Description

The recent bull market just turned nine years old, and recessions are a normal part of the economic cycle. Data points to there being 13 recessions in Canada over the past 100 years, which is one every 7.69 years on average. The thing about recessions is that by the time they hit mainstream media, it's too late for retail investors. Economists have found that the markets generally fall in advance of a recession, and the market's recent weakness may be a sign of an overdue correction.

Although it's not a wise investment strategy to time the market, investors can protect themselves and limit the damage of a correction by diversifying their portfolios with defensive stocks. No, I'm not talking about weapons manufacturers or defence contractors. I'm talking about stocks that provide reliable dividends and earnings regardless of the state of the market. Unfortunately, defensive stocks usually have the stigma being large, established conglomerates with little to now growth. What if i told you that you don't have to sacrifice growth in exchange for safety? Here are three top TSX-listed defensive growth stocks for your portfolio.

The utility industry is one that is considered defensive in nature, because regardless of the state of the market, consumers still need heat and electricity. **Fortis Inc**.(TSX:FTS)(NYSE:FTS) is one of the largest utility companies in North America and has been a reliable dividend-growth company. It has grown dividends for 44 consecutive years and anticipates a further 6% dividend compound annual growth rate (CAGR) through 2022. It is well diversified with operations in Canada, the United States, and the Caribbean. It has consistently outperformed the S&P/TSX Composite Index and Utilities Sub-Index over the past 10 years.

It is not typical to find high-growth stocks on a list of defensive stocks, but **Dollarama Inc.** (TSX:DOL) is a great option. The company has diversified into groceries, and with its low prices, it is well positioned to weather a downturn in the economy. In the event of a recession, the company may scale down its growth plans, but people need to eat and drink. In fact, by undercutting the larger grocery chains, Dollarama stands to benefit from an economic downturn. The company has seen explosive growth, has a growing dividend, and earnings are expected growth at a CAGR of 17% over the next five years.

There is evidence to suggest that when hard times hit, alcohol consumption rises. With this in mind, **Andrew Peller Ltd.** (TSX:ADW.A) is a savvy addition to your portfolio. The company has an earnings-per-share CAGR of 10% over the past 10 years. This reliable performance is due in large part to the successful integration of recent acquisitions. The company also has a 12-year dividend-growth streak with a respectable payout ratio of approximately 43%. Andrew Peller has significantly outperformed the TSX over the past number of years and is well positioned to do so in a recession.

Bottom line

In an upswing of a business cycle, defensive stocks tend to take a back seat to high-flying growth stocks. However, investors can build a portfolio that allows them to outperform regardless of market conditions. With these three, investors can benefit from an extended bull market and will be well positioned to withstand a bear market. All three are a buy for defensive and growth investors.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:ADW.A (Andrew Peller Limited)
3. TSX:DOL (Dollarama Inc.)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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mlitalien