3 Top Stocks for Low-Risk Investors

Description

When it comes to low-risk stocks, investors should focus on businesses that will be here, thriving, decades down the road. **Intact Financial** (TSX:IFC), **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) are such businesses that clearly have competitive advantages over their peers.

Unfortunately, quality stocks are seldom sold for cheap. So, investors may need more patience to get the shares at lower valuations.

Intact Financial

Intact Financial is the largest home, auto, and business insurer in Canada with about 17% of market share. In comparison, the competitor in the second spot has roughly 10% of the market share in the fragmented industry.

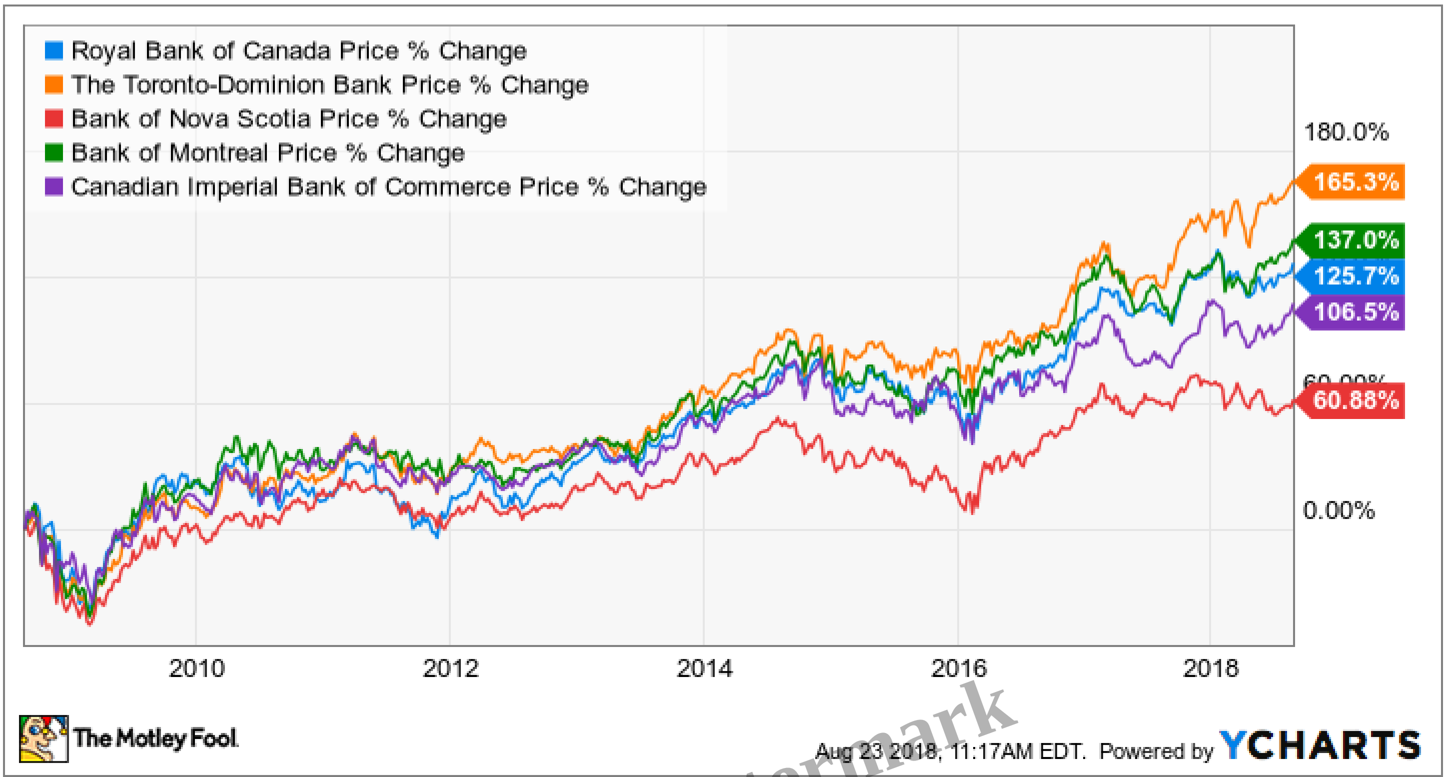
Over the last eight years, Intact Financial has increased its net operating income per share by 11.5% per year as well as exceed the industry's return on equity by 6% on average.

However, management likes to underpromise and overdeliver by aiming for net operating income growth of 10% per year and beating the industry's return on equity by 5%. It's no wonder the insurer could increase its dividend at an average rate of 9% over a nine-year period.

To further reduce your risk in an investment in Intact Financial, buy the insurance stock at a lower valuation. A dip to under $100 per share would be nice, but an entry point in the $92-96 per share area would be even better.

TD Bank

Among the Big Five banks, TD Bank stock has performed the best year to date and in the last one-, three-, five-, and 10-year periods. This is no small feat. It indicates that TD Bank clearly has an edge.



RY data by YCharts – *TD Bank's price outperforms its peers over a decade*

The bank's net margin is at the high end compared to its peers. Furthermore, it is estimated to have the highest long-term growth rate. As a result, at the quotation of $78.85 per share as of writing, the bank isn't expensive trading at a price-to-earnings multiple of about 12.6 with an estimated long-term growth rate of about 9-12% for its earnings per share.

If you don't have any TD Bank shares, the stock is good for a starter position today. For a bigger margin of safety, start buying the quality bank on a dip to the low $70s per share.

Canadian National Railway

Canadian National Railway's network spans Canada, mid-America, and connects ports on three coasts. As a result, it has access to key markets to move raw materials, unfinished goods, and final products.

Canadian National has a strong net margin of about 42% that exceeds its closest peer's margin by 8%. So, the stock tends to trade at a premium valuation. It just had a runup. So, investors looking for a safer entry point should look for a dip to, say, $95-105 per share to start their positions.

Investor takeaway

Buying quality stocks, including Intact Financial, TD Bank, and Canadian National, on dips is a superb way to create a low-risk portfolio with growing dividend income and long-term outperformance.

CATEGORY

1. Bank Stocks

2. Dividend Stocks
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1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
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