



## A 3-Stock Portfolio for New and Nervous Investors

### Description

One thing that nobody seems to want at the moment is more risk. While the marijuana stock phenomenon rattles along at a terrific speed, new investors looking for stable, long-term dividends and solid capital growth may want more traditional stocks that they know can be depended upon.

The following three stocks often get written up as being defensive, and do the rounds on investment boards and forums quite regularly, generating any number of articles and think-pieces. Today we'll comb through some of the key indicators of durability in order to ascertain whether risk-averse investors may wish to add them to a portfolio, or use all three as a ready-made mini portfolio for instant diversification.

#### **TransCanada** ([TSX:TRP](#))([NYSE:TRP](#))

[TransCanada](#) is one of the biggest energy infrastructure companies on the TSX index, and as such should give investors a fairly defensive anchor for a new – or lightweight – portfolio. A market cap of \$48 billion is certainly big enough to reassure investors as to its size, while a P/E of 15.5 times earnings beats the industry and the market, and is neither too high nor too low.

So far, so good. Now we come to TransCanada's one-year past earnings growth of 190.2%, which beats the industry average of 0.5% for the same period many times over, as well as its own five-year average past earnings growth of 0.7%. This is great to see, and a high dividend yield of 5.25% goes some way, in tandem with these other favourable figures, to counteract that high debt level of 160.5%. Consider other stocks such as Suncor Energy, or Canadian Natural Resources if you want to shop around.

#### **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#))

Manulife Financial is a big name North American provider of private and commercial financial advice, insurance products, and portfolio management services, and as such it often gets talked up as a defensive stock. A market cap of \$47 billion goes some way to back this up. However, a P/E of 23.6 times earnings is too high for either the industry or the TSX.

Let's move on to past performance, which in this case is not ideal. Granted, the Canadian insurance industry average contracted by 7.4% in the past 12-month period, so in terms of past performance we have to give Manulife Financial some leniency.

However, goodwill can only take a one-year past earnings reduction of 45.8% so far. That loss in earnings is bigger than Manulife Financial's own five-year average past earnings growth of -3.6%, and does seem to denote a tanking stock.

A dividend yield of 3.75% is pretty good, however, and a lowish debt level of 42% of net worth rounds out a stock that might be worth buying and holding onto for the long term, depending on who you talk to.

### **BCE** ([TSX:BCE](#))([NYSE:BCE](#))

Not everyone likes telecoms stocks, but those who do tend to like [BCE](#). A market cap of \$47 billion puts it in the same size bracket as the above to stocks. Meanwhile, a P/E of 17.3 times earnings is a shade higher than the industry and the market, but not by an appreciable amount.

A one-year past earnings reduction by 2.6% looks pretty dire next to the industry average of 94.3% for the same period, or even its own five-year average past earnings growth of 6.9%, which at least has been positive. A decent dividend yield of 5.71% counterweights a high debt level of 116.3% of net worth; or (if you're a cynic) you may choose to think it adds to it.

### **The bottom line**

TransCanada is an unhealthy stock, but boasts a good past performance and sizeable dividend. Manulife Financial, on the other hand is a hale and hearty stock with a poor past performance. Of the three, BCE comes out as the better all-round buy, though high debt and slight overvaluation let it down. All told, the three stocks here are of fairly strong defensiveness, though better alternatives can be found on the TSX index.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

### **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:BCE (BCE Inc.)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:TRP (TC Energy Corporation)

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vhetherington

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