These Stocks Spell a 4-Letter Word That Starts With B

Description

There's a long list of TSX stocks that have lagged the mighty **S&P 500 Index** in 2018, the latter of which is easily accessible with the **VANGUARD SP 500 INDEX ETF** (TSX:VFV). Here are four unfortunate examples of underperformers. Can you guess what the first letter from these companies spells?

B is for BCE Inc. (TSX:BCE)(NYSE:BCE)

The main data hub for the home will eventually be the smartphone, and BCE will be at the forefront of the move to 5G connectivity across Canada. The large infrastructure cost to roll out high bandwidth wireless will be offset by how much of the market BCE can hold and corner off (hopefully without gouging consumers in the process). Looking far into the future has not been on investors' minds when it comes to BCE, however.

It's hard to ignore just how badly this stock has done year to date; it's down 15%, which is considerably worse than the other telecoms. Investors who are happy to collect the robust 5.8% dividend can ignore the share price gyration and gain comfort in knowing that BCE is currently fairly valued.

E is for Emera Incorporated (TSX:EMA)

This utility company is down 19% year-to-date despite a fairly solid balance sheet and forward earnings that appear promising. Free cash flow is expected to rise roughly 15% per year out to 2021. Can a forecast over such a long time horizon be taken seriously? I've learned to take these forecasts with a grain of salt. The 5.95% dividend is safe, something that can't be said for many TSX stocks that have dropped and are now faced with large dividend payouts, effectively siphoning off company funds that could be used elsewhere.

A is for Altagas Ltd. (TSX:ALA)

New investors should steer clear of this debt heavy energy infrastructure company that is down 27% year-to-date. It's advisable to stay on the sidelines and watch as analysts duke it out on this heavily scrutinized stock. One senior portfolio manager on BNN last week said that cutting the dividend in half (currently a ripe 10%) would be a good thing. Yikes: pull the Band-aid off quickly to minimize the pain…is that the thinking?

Such a cut would surely lighten the balance sheet, but it would also upset those shareholders counting on the investment income. The next few months will be pivotal, with all eyes on the soon-to-arrive quarterly report, not to mention details on selling off parts of the business unfolds. Rest assured that positive news will make this stock move slow enough that buyers will get a chance to ride the momentum.

R is for Roots Corporation (TSX:ROOT)

Down 46% year-to-date, this stock has a hangover that just won't quit after the IPO one year ago. I have to acknowledge that I'm not a fan of investing in clothing companies. It's so hard to know which brands will stay sticky. Aren't sweat pant consumers fickle too! A tailwind for the business is the adoption of online shopping with home delivery or in-store pickup, an approach that could explain why I fail to see foot traffic at the one prominent store location I walk past daily.

Foolish takeaway

I took a page out of Fool founder David Gardner's playbook and spelled B.E.A.R. for some light-hearted fun. We can't always be right with stock picks, as is the case for shareholders of these 2018 bearish investments. However, the market can serve up a healthy dose of reality; if the investment thesis is unchanged, then history shows that it's better to weather storms and hold solid companies rather than to panic.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:BCE (BCE Inc.)
4. TSX:EMA (Emera Incorporated)
5. TSX:ROOT (Roots Corporation)
6. TSX:VFV (Vanguard S&P 500 Index ETF)

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