3 Top Stocks to Protect Your Portfolio Right Now

Description

Hello again, Fools. I'm back to highlight a few stocks that display low volatility relative to the overall market (i.e., low-beta plays). As a refresher, I do this for conservative investors because low-beta stocks

- typically represent ownership in highly stable businesses;
- are a great way to shield your portfolio from big market dips (like the ones we've been seeing of late); and
- actually tend to outperform high-beta stocks over the long run.

Contrary to popular financial belief, stocks with low volatility actually offer a better risk/reward trade-off than high-volatility stocks due to the "low-beta anomaly."

So, without further ado, let's get to this week's list.

Tummy-friendly tech

Kicking things off is **CGI Group** (TSX:GIB.A)(NYSE:GIB), whose shares sport a beta of 0.6 — or about 40% less volatility than the overall market. The IT services giant is up 17% year to date versus a gain of 11% for the **S&P/TSX Capped Information Technology Index**.

CGI might operate in the ever-changing tech space, but the recurring nature of its business model provides plenty of cash flow stability. In Q2, revenue clocked in at $2.9 billion as operating cash flow increased 9% to $317.3 million. Management also posted bookings of $3.5 billion, along with a whopping backlog of $22.4 billion.

Over the past five years, CGI has grown its operating cash flow 175%.

When you couple that fundamental strength with the stock's price smoothness, CGI is certainly worth checking out.

Presidential choice

Next up, we have **Loblaw Companies** (TSX:L), whose shares have a three-year beta of 0.7, or about 30% less volatility than the overall market. Year to date, the food and pharmacy company is down 4% versus a loss of 6% for the **S&P/TSX Capped Consumer Staples Index**.

Loblaw is perfect play on the fact that people will always need food and medicine. Over the past 12 months, the company has generated $46.5 billion in revenue, along with $1.7 billion in free cash flow. More importantly, management has used its cash to repurchase shares — 4.6 million in Q3 alone — and dole out growing dividends to shareholders.

With a forward P/E in the low teens and decent yield of 1.9%, Loblaw looks like reasonably priced way to add portfolio safety.

Extended opportunity

Rounding out our portfolio protectors this week is **Extendicare** (TSX:EXE), which currently boasts a beta of just 0.3 — or about 70% less volatility than the market. Year to date, the senior home operator is down 17%, making it an opportune time to get in on the action.

Despite Bay Street's bearishness, Extendicare continues to benefit from the ever-growing demand for retirement living. Over the first six months of 2018, operating income is up 5% on margins of 11.9%. Moreover, the company's available funds from operations (AFFO) — a key metric in the real estate business — is up $4.7 million at $31.8 million.

Right now, the stock yields an attractive 6.5%, which seems pretty safe considering that the payout still represents a comforting 67% of AFFO. In other words, I wouldn't wait too long to lock it in.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GIB (CGI Group Inc.)
2. TSX:EXE (Extendicare Inc.)
3. TSX:GIB.A (CGI)
4. TSX:L (Loblaw Companies Limited)

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Date
2025/07/22
Date Created
2018/10/27
Author
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