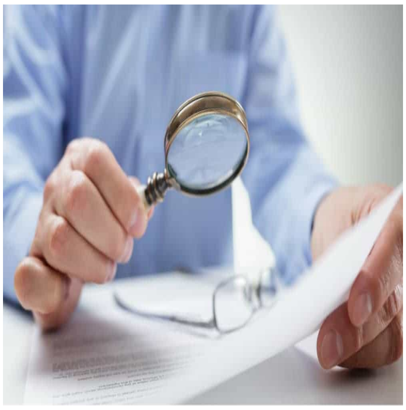

2 Low-Beta Canadian Stocks for the Risk-Averse Investor

Description

While there is more to share price volatility and momentum scoring than any single metric, looking at a stock's five-year beta relative to the market is a quick way to see how stable any given company's share price might be. Below you will find two examples of stocks with low betas.

They're good choices for long-term investors, and these two slow and steady stocks might be good for a TFSA or RRSP. Let's take a look at the data and see whether this is the case.

Magellan Aerospace (TSX:MAL)

One of the best aviation stocks on the TSX index, Magellan Aerospace has a suitably meaty market cap of $1 billion. This innate defensiveness is backed up by some generally positive past performance data: despite a one-year past earnings contraction by 9.4%, Magellan Aerospace's five-year average growth of 16.5% shows that the trend has been strong overall, and that this stock may simply have had a bad year, much like everyone else.

Discounted by 46% of its future cash flow value, Magellan Aerospace has some good multiples to back up that undervaluation: a P/E of 11.9 times earnings, PEG of 1.8 times growth, and P/B of 1.5 times book.

The outlook is positive, if not significantly so: a 6.8% expected annual growth in earnings is on the cards for the next one to three years. Other bits of data suggest that this is a high quality stock worth owning long term: a return on equity of 12% last year goes well with low debt of just 10.2% of net worth.

A dividend yield of 1.8% is a little low, though the rest of the data suggests that it's worth keeping. Competitors include the usual roster of aviation and vehicle stocks, while a low beta of 0.26 makes this a great pick for investors with little appetite for risk.

Cogeco Communications (TSX:CCA)

A market cap of $986 million is beefy, but not as muscular as the more defensive Canadian stocks. A one-year past earnings growth of 5.4% and five-year average past earnings growth of 4.4% shows that this stock can remain positive in the face of uncertainty – a good survival trait on the TSX.

Discounted by more than 50% of its future cash flow value, it's a nicely priced pick, with a P/E of 8.1 times earnings and P/B of 1.5 times book backing up that valuation.

A 3.5% expected contraction of earnings over the next couple of years and tasty dividend yield of 2.56% make this a good choice for a savings account, such as a TFSA or RRSP, with a return on equity of 16% last year showing that this stock makes good use of shareholders' inputs.

One thing to be aware of is a high comparative debt level of 168.1% of net worth, which may make it unsuitable for risk-averse buyers. Cogeco Communications' competitors include the usual bunch of communication stocks, though a low beta of 0.63 suggests that you may as well stick with this one if you like a steady share price.

The bottom line

Both stocks have low share price volatility, making them good choices to hold long term. Though their dividends are not the highest on the TSX index, you can be sure that those payments are relatively stable. Positive past earnings performance and some growth ahead in the same area make these modest dividend-payers good choices for the low-maintenance investor.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:CGO (Cogeco Inc.)

PARTNER-FEEDS

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