3 Top "Sleep-Easy" Stocks in the TSX Index

Description

Hello again, Fools. I'm back to highlight three stocks in the TSX index with low volatility/low beta — or, as I like to call them, my top "sleep-easy" plays.

In case you're wondering, I do this for risk-averse investors because low-volatility stocks

- usually come from stable and well-established industries;
- can provide downside protection during turbulent times; and
- are proven outperformers over the long run.

Due to a phenomenon called the "low-beta anomaly," portfolios of low-volatility stocks actually have better risk-adjusted returns than high-volatility portfolios.

So, without further ado, let's get to this week's list of TSX low-beta plays.

Imperial strength

Leading things off is **Imperial Oil** (TSX:IMO)(NYSE:IMO), which currently sports a three-year beta of 0.8 — or about 20% less volatility than the overall market. Year to date, shares of the oil and gas giant are up 8% versus a loss of 13% for the **S&P/TSX Capped Energy Index**.

Imperial leans on its massive scale and reliable production growth to keep its stock stable. Just last week, Q3 profit more than doubled thanks to record production at its key Kearl oil sands project in Alberta. Total production clocked in at 393,000 barrels of oil equivalent per day (boe/d), up from 390,000 boe/d a year earlier.

Currently, the stock sports a decent yield of 1.8% and forward P/E of 12.2.

Keep your wealth Intact

Next up, we have **Intact Financial** (TSX:IFC), whose shares have a three-year beta of 0.6 — or about 40% less volatility than the market. Shares of the insurance company are flat year to date, while the **S&P/TSX Capped Financial Index** is down 7% over the same time frame.

With nearly $10 billion in annual direct premiums written (roughly 17% of the market), Intact is Canada's largest P&C insurer. Thanks to that muscle, Intact has been able to increase its dividend each year — 9.1% compounded — since its IPO in 2009. Moreover, the company's five-year average return on equity is 600 basis points better than the industry average.

With a dividend yield of 2.7% and forward P/E of 14, Intact seems reasonably priced.

Electric opportunity

Closing out our list this week is **Hydro One** (TSX:H), which boasts an especially low beta of 0.3 — or about 70% less volatility than the overall market. Over the past three months, shares of the electric utility are up 2% versus a loss of 5% for the **S&P/TSX Capped Utilities Index**.

Hydro One's business is as steady as they come. It's one of the largest electrical utilities in North America, with huge scale in the province of Ontario — a rate-regulated environment. Moreover, with a debt-to-asset ratio of just 0.13, it has one of the industry's strongest investment grade balance sheets.

Right now, the stock sports a juicy 4.7% dividend yield, backed by a comforting payout ratio of 70-80%.

The Foolish bottom line

There you have it, Fools: three stocks in the TSX Index with low volatility to help you sleep easy.

As always, they aren't formal recommendations. Instead, view them as a jump-off point for further research. Bad news can spike the volatility of any stock at a moment's notice, so plenty of homework is still required.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSEMKT:IMO (Imperial Oil Limited)
2. TSX:H (Hydro One Limited)
3. TSX:IFC (Intact Financial Corporation)
4. TSX:IMO (Imperial Oil Limited)

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