3 Top “Sleep Like a Baby” Stocks to Buy Now

Description

Hi there, Fools. I’m back to highlight three attractive stocks with low volatility (or low beta). I like to call them my top “sleep like a baby” plays. I do this for conservative investors because low-beta stocks generally come from highly stable sectors; can keep your money safe during times of extreme market turbulence (like we’ve seen during the past week); and can outperform the market over a prolonged period of time.

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Due to a phenomenon known as the low-beta anomaly, stocks with low volatility actually offer better risk-adjusted returns than those with high volatility.

Without further ado, let’s get to it.

Meaty opportunity

Kicking things off is **Maple Leaf Foods** (TSX:MFI), whose shares sport a beta of 0.7 — or about 30% less volatility than the overall market. The meat products company is down about 20% over the past year versus a gain of 0.5% for the **S&P/TSX Capped Consumer Staples Index**.

The stock has slipped ever since its Q3 results in late October. During the quarter, earnings plunged 29% to $26.6 million as sales slipped 3.7% to $874.8 million. Management cited lower fresh pork prices, as well as higher investments in core brands, for the weak results.

That said, CEO Michael McCain reassured investors that the “abnormal markets” have “no impact” on the company’s longer-term financial goals. At a forward P/E in the mid-teens, it might be a good time to bet on that optimism.

Communication problems

Next up, we have **Cogeco Communications** (TSX:CGO), whose shares have a beta of 0.4 — orabout 60% less volatility than the overall market. The communications company is down nearly 30%over the past year, while the **S&P/TSX Capped Telecommunication Services Index** is flat over thesame time frame.

2018 hasn't been kind to Cogeco, but the company might be entering 2019 with some positive momentum. In its recent Q3 results, adjusted EBITDA increased 14.8% as revenue grew 14% to $660 million. More important, free cash flow clocked in at $55.4 million — an improvement of 6.7% over the year-ago period.

Based on that strength, management boosted its dividend 10% to $0.43 per share. With a current yield of 3.3%, the stock's risk/reward tradeoff is enticing.

Furniture sale

Rounding out our list is **Leon's Furniture** (TSX:LNF), which sports an especially low beta of 0.3 — or about 70% less volatility than the market. Shares of the furniture retailer are down 15% over the past year versus a loss of 12% for the **S&P/TSX Capped Consumer Discretionary Index**.

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The stock has slumped in recent weeks on concerns over slowing growth. In Q3, adjusted EPS came in flat at $0.42 as revenue increased just 1.3% to $1.6 billion.

On the bright side, gross margin expanded 94 basis points to 43.6%, suggesting that the company's competitive position remains strong. Moreover, Leon's net debt totaled $83.7 million at the end of the quarter, down significantly from $225.8 million in the year-ago period.

Currently, the stock offers an attractive 3.7% dividend yield.

The bottom line

There you have it, Fools: three low-beta, sleep-like-a-baby stocks worth digging into.

As always, don't see them as formal recommendations. Instead, think of them as ideas for further research. Even stocks with low volatility can fall sharply at a moment's notice, so plenty of due diligence is still required.

Fool on.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CCA (COGECO CABLE INC)
2. TSX:LNF (Leon's Furniture Limited)
3. TSX:MFI (Maple Leaf Foods Inc.)

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