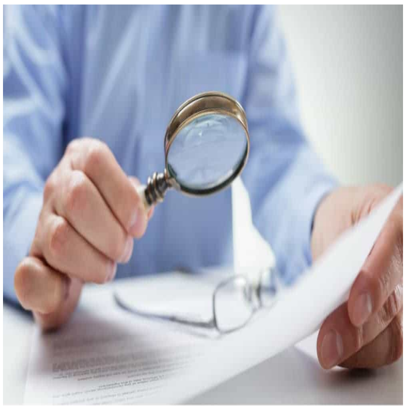

Looking to Play Defense? Find Out Which Supermarket Stock Is Best Suited for Your Portfolio

Description

Canada's leading supermarket chains have certainly been an active bunch over the past year.

Here's a quick recap of what you've missed so far and where each of the country's leading grocers stack up heading into the new year.

The biggest development would probably have to have been the spin-out of **Loblaw Companies Ltd** (TSX:L) 61% stake in **Choice Properties Real Estate Invstment Trust** (TSX:CHP.UN) to **George Weston Limited** (TSX:WN), announced earlier in September of this year.

Loblaw is part owned by parent company George Weston, but the two companies have essentially divested Loblaw's portion of its non-core real estate assets, essentially repositioning the company to investors as much more focused pure play investment in Canada's retail sector.

As a result, Canadians in search of direct exposure to consumer spending on not only food, but also prescriptions, cosmetics, beauty supplies (and now marijuana) can now do so through an investment in Loblaw stock.

The other aspect of the CREIT deal is that now George Weston owns a larger portfolio of Canadian real estate assets.

The deal effectively creates Canada's largest diversified REIT, including an expanded portfolio of 752 properties comprising 69 million square feet of leasable space.

By acquiring the CREIT assets, Weston shareholders now have much more autonomy in terms of being able to pursue their agenda of growing out that real estate business.

Metro, Inc. (TSX:MRU) has also been active on the M&A front, acquiring Quebec's leading pharmacy retailer, Jean Coutu Group, earlier in the year, and in doing so, creating a strength to its brand as a more diversified food and pharmacy retailer.

The Jean Coutu acquisition is expected to provide annual synergies of $75 beginning three years from now, but is already accretive to Metro’s operating results, helping to propel the company to sales growth of 15.7% and growth of adjusted net earnings of 35.1% in the fourth quarter, reported on November 21.

Which one is right for you?

Determining which of these three companies would make the right investment for you is going to depend on your outlook for each of the respective businesses in addition to your faith in management’s respective abilities to pull off their intended strategies.

It’s also going to depend on your own personal risk tolerance and investment objectives.

All three offer dividends that are about in the same range, paying out about 2% annually, give or take.

Among the three, George Weston will probably give you the best diversification in that it’s not entirely dependent on retail consumer discretionary spending and gets the benefit of longer term fixed rent prices.

However, if you already held a large stake in the real estate sector that you aren’t looking to add to, maybe WN just isn’t the right fit for you, right now.

In that case, between Loblaw and Metro, Loblaw would be viewed as the stock offering more traditional value qualities while Metro’s stock would likely be more appealing to investors who favour growth-style investments.

The choice will ultimately be up to each individual to make for themselves based on their own investment objectives and risk tolerance.

Regardless of which avenue you end up taking, all three do offer solid appeal, at least as far as my money is concerned, as they can go a long way to helping to achieve a more defensive positioning for your portfolio amidst the latest spell of market volatility.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)
4. TSX:WN (George Weston Limited)

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