Gold, Weed, and Oil: A Mini-Portfolio for the New TSX Index Investor

Description

While the following stocks represent industries that are vulnerable to sudden changes in the market, they are also the sectors known for growth and, in the case of gold, offer some defensiveness to a new portfolio. From a well-valued oil stock to one of Canadian marijuana's most exciting producers, here are three stocks to consider for a first-time investor stepping outside the safety zones of banking and utilities.

Vermilion Energy (TSX:VET)(NYSE:VET)

With an expansion in Croatia that will see exploration wells drilled there this summer, Vermilion Energy offers geographical reach and ready diversification in a lucrative sector. With a beta of 1.34 relative to the Canadian oil and gas industry, there is the opportunity to cream capital gains here, while the long-range investor has a solid passive-income play.

Indeed, Vermilion Energy's dividend yield of 8.8% is significantly high for the TSX index and has a good track record of payments behind it. For investors looking for a sturdy track record, they don't come much sturdier than a one-year earnings-growth rate of 547.7%. Meanwhile, Vermilion Energy used its assets more efficiently than the industry on the whole last year, according to its return on assets (ROA), with a 6% ROA that beat the Canadian oil and gas average of 4.8%.

While Vermilion Energy's level of debt to net worth has crept up over the past five years from 51.6% to 72.1%, it's well covered by operating cash flow, making for a fairly healthy, if not perfect, balance sheet. Combined with average management team and board member tenures and acceptable market fundamentals (see its P/E of 16.2 and P/B of 1.8 times book), it's a hardy, solid investment in the oil and gas space.

HEXO (TSX:HEXO)

One of the best Canadian marijuana stocks, HEXO's past-year returns of 92.3% knocked the Canadian pharma average of 11.2% into a tin hat. Its earnings growth for that period has been solid at 36.2%,

and its debt-free balance sheet goes some way to reduce the risk inherent in a weed investment.

There has been some inside selling of HEXO shares of late, which is perhaps understandable given the uncertainty in the markets (as well as HEXO's fairly high P/B of 4.8 times book), a 63% expected growth in earnings as well as good all-round stats make this stock one to add to a wish list.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD)

This stock's beta of 0.46 relative to the market, plus a chunky market cap of $29 billion, make for a solid defensive play in the gold space. [Barrick Gold](#) is a front-runner for investors interested in mining stocks and has plenty of stats to back it up, from a decent track record (see a five-year earnings growth of 48.4%) to market-weight per-asset valuation, seen in its P/B of 1.4 times book.

A decent amount of inside buying makes for a peer favourite, which, combined with its dividend yield of 1.28% and 25.4% projected earnings growth, adds up to a solid suggestion for a new portfolio.

The bottom line

This combination of growth, value, and defensiveness in three of the most lucrative sections of TSX index makes for an intriguing play for new portfolio holders looking to expand beyond banking, utilities, and railways. The three stocks listed here complement each other, with Barrick Gold balancing HEXO in terms of volatility, and Vermilion Energy making up for the gold stock's lower yield.

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