Dividend Round-Up: Defensive Studs or Overhyped Duds?

Description

As trade tensions between the U.S. and China continue to weigh on the markets, investors may be looking to bolster their portfolios with some defensive stocks. Today we'll take a closer look at some of the types of investments that can bring stability to a stock portfolio during this period of increasing uncertainty. Representing apartment REITs, blue chip utilities, and consumer staples, here are some of the most popular recession-ready stocks on the TSX index.

Canadian Apartment Properties REIT (TSX:CAR.UN)

One of the largest residential landlords in Canada, this REIT covers a wide range of properties in urban centres around the country, as well as in the Netherlands, and is broadly representative of apartment REITs on the TSX index. With a mix of low market fundamentals, growth, and dividends, it seems a prudent choice for the general real estate investor.

With 22.9% returns over the past year that outperformed the average Canadian REIT, it's also a lucrative choice, currently undervalued with a P/E of 5.5 times earnings and P/B of 1.1 times book. There are some indicators of decent quality here, from a past-year ROE of 20% to a moderate dividend yield of 2.78%, backed up by a sturdy track record. Indeed, with one- and five-year earnings growth rates of 66.2% and 32.8% respectively, it seems a solid buy.

Enbridge (TSX:ENB)(NYSE:ENB)

One of the foremost choices for utilities bulls looking for dividend studs on the TSX index, Enbridge posted strong first-quarter results this year. Up 1.4% over the last five days at the time of writing, it's clear that domestic investors are favouring oil and gas stocks at the moment, with bullishness no doubt rising on the prospect of various supply bottlenecks later in the year.

A 36-month beta of 1.07 places Enbridge in market-weight volatility country doesn't exactly scream defensiveness, however. What a low-risk investor looking to shore up a flimsy portfolio really needs is a utility investment that's insulated against oil prices, and with lower volatility than the TSX index. A touch overvalued, and with a mediocre balance sheet, Enbridge nevertheless commands a stable market presence and pays a solid dividend yield of 5.59%.

Loblaw Companies (TSX:L)

Up 1.23% in the last five days, Loblaw Companies is one of the best food retailers on the TSX index. However, would-be buyer will have to look past overvaluation (suggested by a P/E of 37.6 times earnings and P/B of 2.3 times book) and so-so balance sheet toward a modest dividend yield of 1.81% if they're going to consider it for long-term investment. A five-year average earnings growth rate of 24.2% and estimated 19.3% future growth rate suggest a solid buy in the consumer staples space.

The bottom line

Negative expected annual growth in earnings over the next couple of years leaves something of a question mark over Canadian Apartment Properties REIT, suggesting that if a low-risk investor is still bullish on apartment REITs that they do a deep dive into the available data. Meanwhile, utilities remain one of the better defensive areas of the TSX index, as does the food retail sector, with Loblaws in particular being a fairly representative stock in the Canadian consumer staple space.

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1. NYSE:ENB (Enbridge Inc.)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
3. TSX:ENB (Enbridge Inc.)
4. TSX:L (Loblaw Companies Limited)

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