3 Low-Volatility Stocks to Buy and Hold for 20 Years

Description

During a bear market, it can pay big to own low-volatility stocks. It can take you years to recover from a major loss.

Protecting your portfolio's downside is important no matter your age or situation. Retirees need to avoid losses to ensure a stable income, while younger investors need to maintain value to compound returns as quickly as possible.

If you want to diversify your portfolio with low-volatility stocks, the following picks are perfect candidates. During previous drops, these stocks held steady while the market plummeted by 30% or more.

Intact Financial

Intact Financial (TSX:IFC) is one of the largest property and casualty insurance companies in Canada. The company was formerly ING Canada, a subsidiary of **ING Groep NV**, until it changed its name in 2009.

Over the last decade, Intact Financial has never finished a year with a loss. Plus, it's returned more than 230% versus a mere 55% return for the **S&P/TSX Composite Index**.

What makes this company so stable?

First, the insurance business is fairly predictable. Most risk can be forecasted ahead of time and pools of policies can offset each other's volatility. Second, the company has a pristine balance sheet with high scores from every credit-rating agency. Last, management is aligned with shareholders, with one of the top governance scores in all of Canada.

With a solid dividend yield of 2.4% and a reasonable valuation of 22 times trailing earnings, Intact Financial looks like a safe place to hide during a market storm.

Fairfax Financial Holdings

Fairfax Financial (TSX:FFH) has one of the best track records of any stock at avoiding bear markets. Founded and run by famed investor Prem Watsa, this company has rightfully earned the title **Berkshire Hathaway** of the north.

Take the 2008 and 2009 financial crisis for example.

From August 2008 to February 2009, the S&P/TSX Composite Index lost more than 30%. Fairfax Financial stock, meanwhile, *gained* 30%. This outperformance is truly remarkable.

Just because Fairfax Financial outperforms mightily during bear markets doesn't mean it's a slouch when the market is moving higher. Since 1985, book value per share has grown by nearly 19% per year. That's roughly the average annual return of the stock as well.

With a market cap of only $17 billion, expect Fairfax to continue business as usual over the next few decades and beyond.

Emera

Emera (TSX:EMA) is another fortress-like stock thanks to its durable business model.

As I wrote previously, "Down years have been rare, and never in its nearly 30-year public history has the company cut its dividend. Even during the global credit crisis of 2008 and 2009, Emera actually grew stronger."

The secret is regulated utilities.

Emera provides power to roughly 2.5 million customers in nine markets across North America. Critically, 95% of revenues are fully regulated. That means Emera has long-term contracts that guarantee its rate base and pricing.

Each year, Emera has near certainty into its profitability. This certainty often extends a decade or more into the future. Last year, only 88% of revenues were fully regulated, so Emera has doubled down on its commitment to stability.

As with Intact Financial and Fairfax Financial, this stability hasn't come at a cost to returns. Since 2006, shares have risen by 150% compared to a 35% rise for the S&P/TSX Composite Index.

Now trading at a discounted valuation of just 16 times trailing earnings and a dividend yield of 4.5%, now looks like a great time to pile into this proven stock.

CATEGORY

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2. Dividend Stocks
3. Energy Stocks

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:IFC (Intact Financial Corporation)

PARTNER-FEEDS

1. Msn
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rvanzo