



## Retreat to Safety and Buy These 2 Top Stocks

### Description

Fears are everywhere in the markets today. Have you [retreated to safety in your portfolio](#)? If you have not, or if you did just a little, it isn't too late to ramp up your efforts.

Protecting your savings means focusing your portfolio on those stocks that are least sensitive to economic cycles and/or those companies that are large enough that they have a well-diversified revenue stream and financial clout.

### So where do we stand today — and why do I advocate retreating to safety?

From weak manufacturing activity to weak consumer spending in the U.S., global growth forecasts seem to be at risk. Trade tensions and tariffs are to blame for manufacturing activity falling to ten-year lows in the U.S., and lacklustre consumer spending growth of a 0.1% in August reflect an economy that is mired in uncertainty and may be tired.

Of course, whatever happens in the U.S. affects the globe so these are yet more points of concern for global economic growth.

Accordingly, we are seeing the major indexes trading down during the week to reflect this [increased uncertainty and increased risk](#). The **S&P/TSX Composite Index** has fallen approximately 4% from its September highs, and given the state of things and recent data, there is a real risk that it is going lower amidst further weakness.

### Two top stocks to beat the doldrums

The first of the two stocks that I am recommending beefing up on is **Alimentation Couche-Tard Inc.** (TSX:ATD.B).

With a leading position in the Canadian convenience store industry, the largest independent company-

operated convenience stores in the U.S., significant positions in European countries and licensing agreements in other parts of the globe, Couche-Tard is a global force that has managed to grow successfully to this dominant global position.

This has been accompanied by strong earnings and cash flow growth and of course share price appreciation. The company's growth via acquisition strategy has served it well, but going forward, some of the focus will shift back to organic growth; the company has released targets of 50% of growth coming organically.

Historically, only 30% of its growth has come organically, with the remainder via acquisitions. The company's debt load has come down a little, but with a debt to total capitalization ratio of 49%, it's still high.

Steady and stable cash flows characterize this company, and with increased global efforts to re-brand to Circle K and with an increased offering of fresh foods and coffee driving traffic and increased in-store purchases, we can expect strengthening same store sales trends and strong cash flows from this company.

Valuation is not cheap, but with such a high-quality company, it's worth it. And the fact that management's new goals of doubling earnings in the next five years include a strategy that's less focused on acquisitions gives me comfort.

A company like **George Weston Ltd.** ([TSX:WN](#)), whose stock rose 54% from September 2000 to October 2002 while the TSX Composite Index was freefalling, is another good bet today.

George Weston is a collection of defensive businesses in the food retail industry, with its 50% ownership of **Loblaw Companies Ltd.** being the largest by far.

George Weston is a defensive stock that trades at a price to earnings multiple of 15 times this year's consensus expected earnings. It's a company whose leading position in the defensive food retailing and food processing industries allows it to enjoy relatively steady and stable demand, revenue, earnings, and cash flow through all economic and market cycles.

We are not necessarily looking for strong growth; rather, we're looking for downside protection, and George Weston can give us that.

## Foolish final thoughts

The two defensive stocks in this article will serve to buffer your portfolio from the downside that we may see going forward. Markets have been hovering around all-time highs this year, and with risks mounting, it would be a good move to retreat and protect your portfolio by focusing on the top stocks that I have covered in this article.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:WN (George Weston Limited)

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1. Investing

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