Portfolio Protection: 2 TSX Stocks to Buy

Description

With the stock market continuing to bounce around, some investors are seeking portfolio protection. That is, they are seeking out ways to preserve their investments in the short term.

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Although investing for the long term is generally the best strategy, there are cases where this may not be the only option. For instance, those looking to retire or buy a house in a few years might want to take a short-term view with some of their investments.

In order to preserve and grow your money in the short run without heaps of risk, it's vital to look for defensive stocks. Such stocks can perform well during a recession or market crash, and can grow an investment during turbulent times.

Today, we'll look at two **TSX** stocks that can offer portfolio protection for investors.

Dollarama

Dollarama (TSX:DOL) is Canada's largest chain of dollar stores. Its largest presence is in Ontario, but it has locations in every province across the country.

The reason Dollarama is a strong defensive stock is quite simple. Although it isn't a dedicated grocer, it does sell essential grocery and household items. For things like canned goods and condiments, Dollarama is a reliable and cheap option.

So, in a time of such uncertainty, being a provider of essential goods certainly helps business. Plus, if Canadians start pinching pennies even more as economic slowdowns drag on, Dollarama should see even more business.

With a beta of 0.72, it's clear to see that Dollarama is not as volatile as the broader market. This is certainly a trait those seeking portfolio protection should covet.

As of writing, Dollarama is trading at $43.45, which means it's already back to its early-February price levels. Currently, the stock is yielding 0.40%.

Now, that's one of the biggest knocks against Dollarama as a defensive stock. It simply doesn't offer anything in the way of a yield.

If a juicy yield is what you're after with a defensive stock, then this second portfolio protection stock might be the right choice.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is an electric utility company operating across the U.S. and Canada as well as some parts of the Caribbean and Central America.

Similar to Dollarama, Fortis offers an essential service. It provides electricity to millions of its customers.

No matter how tough times get, people will still be counting on Fortis to help them keep the lights on.

The idea with buying Fortis stock for portfolio protection is that while you won't see huge upside on the unit share price, the negative effects of a market crash are muted.

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As of writing, Fortis is trading at $51.29 and yielding 3.73%. It's also sporting a beta of 0.10.

Unlike Dollarama, investors can count on a big yield from Fortis. Even with a short investment horizon, that extra cash from the yield can make a major difference.

If you're looking for a reliable stock that's resilient to a recession and offers a steady yield, Fortis is a great pick.

Portfolio protection strategy

Investors seeking portfolio protection can count on these two TSX stocks. Both Dollarama and Fortis are positioned to keep posting solid earnings, even during tough economic times.

Between the two of them, Fortis has a much better track record in terms of reliable returns and has a palatable dividend yield.

If you're looking for portfolio protection in the short term without giving up too much in the way of dividend income, Fortis might be the way to go.

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TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:DOL (Dollarama Inc.)

3. TSX:FTS (Fortis Inc.)

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