How to Build a “Canadian Barbell” Portfolio With TSX Stocks

Description

There are almost as many ways to invest as there are investors. Some exist at the low-risk, long-term end of the spectrum. Others pack short-term momentum and operate within narrow financial horizons. One way to mix a bit of both worlds is to build a “barbell portfolio” using stocks from either end of the risk spectrum. Such a portfolio consists of steep, short-term growth counterweighted with slow, steady wealth creation.

The beaten-up short-term picks

Many cannabis stocks can fit in this category. Then again, so can many tech names. But perhaps the most upside potential in the shortest amount of time could come from areas hardest hit by the pandemic. A speedy V-shaped market recovery would see key stocks in real estate, especially REITs, rallying the hardest. Other sectors, most notably airlines, are likely to rally alongside them.

Canadians looking to build a barbell portfolio out of TSX stocks should consider adding names such as **Air Canada** and **CAPREIT** to the risky, short-term end of the barbell. Air Canada is the perfect contrarian play at the moment.

This is a severely beaten-up stock in one of the most unpopular pandemic-impacted sectors. However, this is what makes it a play for steep short-term growth in the event of a V-shaped recession.

The solid, long-term stocks

Restaurant Brands is likely to outperform no matter the market reaction to forthcoming COVID-19 news. In the worst case scenario, Restaurant Brands represents a defensive consumer staples pick recommended for recession investing. Conversely, a V-shaped recovery is also likely to see the fast food magnate thrive. In summary, Restaurant Brands is a win-win for concerned investors.

Another long-term play perfectly suited to the low-risk end of a barbell portfolio would be **CN Rail**. This exemplary freight stock also packs energy upside via its crude-by-rail initiative. While hydrocarbons in themselves belong at the risky end of a portfolio, crude-by-rail offers a reduced exposure play on an oil price recovery.

One other energy investment theme carrying lower risk in the energy space also brings with it some of the greater upside potential. This theme is the global clean energy growth trend. Investors can confidently stack shares in names like **Algonquin Power & Utilities** and **Northland Power** for a mix of upside and passive income in the green economy space over the longer term.

A word of caution on the green growth trend, though: Growth through partnerships is a source of expansion for any burgeoning industry. The kibosh on conferences joins cheap electricity as one of the most serious setbacks for green power mid-pandemic.

This two-tiered threat could undermine the steep growth on offer in renewables. However, this theme still outweighs the risk rampant in hydrocarbons over the long-term.

Timing the current market is next to impossible. However, there are definitely ways to secure one's portfolio in the midst of all the turbulence. Investors may find that recession investing is still advisable, and that the rallies may be coming too soon.

While this may weaken the case for buying oversold stocks, though, the upside potential in pandemic-impacted sectors is still strong for shorter-term gains.

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