



## TFSA Investors: 2 Must-Buy Stocks for the Perfect “Barbell” TFSA

### Description

TFSA investors should embrace a barbell approach to portfolio construction amid these highly uncertain times. Nobody knows if we’ll have a coronavirus vaccine by year-end or if the second wave of cases will even happen with all the new containment measures and social distancing.

As a TFSA investor, you shouldn’t seek to bet on the outcome of a single outcome. Instead, you should own COVID-19-resilient stocks that can have your back should things get worse as well as the most “at-risk” stocks that have been most affected by COVID-19-induced, government-mandated shutdowns. The latter group of stocks have potentially astronomical upside that you won’t want to miss, but at the same time, they’re most at risk of utterly imploding in a worst-case scenario.

When risk-on and risk-off stocks are combined in one portfolio, TFSA investors can stand to do reasonably well, regardless of what Mr. Market throws at you next.

Without further ado, consider scooping shares of a [“risk-off” defensive stock](#) like **KP Tissue** ([TSX:KPT](#)) and a [“risk-on” stock](#) such as **MTY Food Group** ([TSX:MTY](#)). Both stocks look tremendously undervalued, and when combined, I think the duo can allow any TFSA investor to tilt the risk/reward in their favour over through this unprecedented COVID-19 pandemic.

### KP Tissue

Back in mid-March, when people were panic-buying in the local grocery store, sweeping toilet paper off the shelves of the toiletries aisle, KP Tissue, a toilet paper play, went from being one of the most boring stocks on the planet to being one the sexiest in a time of profound uncertainty and fear.

Although a panic-buying sales pop for a toilet paper manufacturer like KP was to be short-lived, as people went through their hoarded supply, I still think KPT stock, and not toilet paper itself, is a top stock to be hoarding before what could be a second outbreak in the latter part of the year. This is not because sales will pop, but because KPT has a bountiful 6.6%-yielding dividend and an operating cash flow stream that’s stable enough to support it through the worst of times.

In addition, KPT stock is modestly valued at just 1.16 times book. So, if you're a TFSA investor looking for a "risk-off" COVID-19 play for your barbell portfolio, look no further than the name.

## MTY Food Group

For the "risk-on" part of the barbell, we have food court and dine-in kingpin MTY Food Group. Shares of MTY have been decimated by government-mandated shutdowns and social-distancing requirements. The stock has fallen too hard, too fast, though, and could be among the biggest winners should an effective coronavirus vaccine land, effectively eliminating the pressures that MTY and other restaurants have been facing amid this pandemic.

MTY stock trades at 1.32 times book, which is close to the lowest it's ever been. The company has enough liquidity (0.63 quick ratio and a 0.72 current ratio) to survive the coronavirus onslaught, but in a worst-case scenario, where there are a multitude of outbreaks in store over the next few years, there's no telling how much further MTY stock can sink.

In any case, the inherent risks associated with MTY can be mitigated should it be complemented with a "risk-off" name such as KP Tissue.

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:KPT (KP Tissue Inc.)
2. TSX:MTY (MTY Food Group)

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### Date

2025/08/23

### Date Created

2020/06/11

### Author

joefrenette

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