Portfolio Protection: 3 TSX Stocks to Buy

Description

As the stock market remains in a state of unrest, some investors are pursuing portfolio protection. Specifically, investors with a short investment timeline can seek to avoid the wild market swings.

To do so, it's vital to carefully select defensive stocks. In particular, stocks with the resiliency to weather the short-term storm that offer non-cyclical goods and services.

Of course, frivolous spending and activities have been trimmed down during the pandemic. However, businesses that offer essential goods and services will have remained open and continued doing business.

So, in the short term at least, it's fair to expect those essential businesses to outperform the broader market.

Today, we'll look at three such defensive TSX stocks. These stocks are ideal for providing investors with portfolio protection.

Dollarama

Dollarama (TSX:DOL) is the largest chain of retail dollar stores in Canada. It has locations in every province across the country with over 1,000 locations nationwide.

While retail in general has been hit hard by the pandemic, Dollarama is a little different. This is because it stocks a wide range of household essentials and canned goods.

As the economy has been tightening up as of late, Canadians have been able to rely on Dollarama for essentials at rock-bottom prices. Dollarama's continued success through the past few months is highlighted by its year-over-year quarterly revenue growth of 2%.

As people are more inclined to pinch pennies, expect Dollarama to continue doing solid business even as the economy drags.

One drawback with Dollarama as a portfolio protection stock is its distinct lack of a dividend. At 0.39%, it's simply a deal-breaker for short-term investors craving dividend income.

Loblaw

Loblaw (TSX:L) is Canada's largest food retailer. It also has in-store pharmacies and operates the Shoppers Drug Mart chain of pharmacies across Canada.

No matter how tough the economy gets, people still need to put food in the cupboard and need access to essential medications. As such, Loblaw is positioned to continue doing solid business.

It also offers online grocery shopping services, which is sure to drive traffic given the current social distancing protocols.

Loblaw's portfolio protection prowess simply can't be understated. In its most recent earnings report, it announced year-over-year quarterly revenue growth of 10.7% and year-over-year quarterly earnings growth of 20.9%.

While the economy struggles on a broader scale, Loblaw is performing well. Plus, Loblaw is ready for the shift to online shopping that's been pushed ahead by the pandemic.

With a yield of 1.92%, Loblaw can also offer a bit of dividend income for investors.

Portfolio protection pick: Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another portfolio protection heavyweight. It's a massive electric utility distributor across North and Central America.

Fortis is able to provide investors with stability due to the predictability of its business. It operates largely on regulated contracts and as such, its cash flow is consistent and safe.

As of this writing, Fortis is trading at $50.91 and yielding 3.75%. With a beta of 0.06, it will help insulate a portfolio to protect against the wild swings of the market.

Plus, investors can happily sit on the 3.75% yield in the short term and collect decent income. This portfolio protection pick is ideal for investors craving income and market crash protection.

Portfolio protection strategy

Defensive stocks help give investors portfolio protection. While these stocks generally have lower returns over a long horizon than traditional high-dividend blue-chip stocks, they offer stability and reliability in the short term.

If you're looking for portfolio protection, these three TSX stocks all have something to offer.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:FTS (Fortis Inc.)
4. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

Date
2025/08/25
Date Created
2020/06/25
Author
jagseguin