



2 Top Defensive TSX Stocks to Increase Your Portfolio's Stability

Description

These past few weeks, it's becoming increasingly evident that market volatility is heating up. The volatility is being driven by several factors, most notably the second wave of coronavirus and the U.S. presidential election. This growing volatility means investors may be looking to add a defensive **TSX** stock.

Defensive stocks are crucial for your portfolio during times of volatility. Not only will these stocks hold their value better, but the underlying companies can be counted on. Plus, the protection you get from these stocks is even more crucial if the business pays a dividend.

That's why two of the top defensive stocks to buy today are both companies on the Canadian Dividend Aristocrats list.

Top residential REIT

Canadian Apartment Properties REIT ([TSX:CAR.UN](#)) is the first stock to consider. The massive residential REIT is currently trading nearly 30% off its 52-week high.

A stock of CAPREIT's quality and stability [should not be this cheap](#). Residential real estate is one of the top defensive industries, and CAPREIT has been a great growth stock for the last few years.

From 2015 up until the start of the pandemic, CAPREIT's shares grew at a compounded annual growth rate of roughly 17%. That is enormous and extremely impressive.

This massive share price appreciation has been driven by a huge increase in business. In the last 24 months, revenue has grown by over 25%, and operating income is up 42%.

CAPREIT has a strategy of retaining capital and using it to fund new acquisitions to quickly grow the business. The top TSX real estate stock has been very effective at this. It does, however, result in a lower dividend yield.

Although, because the stock is trading at such a major discount, the current dividend yield is still 3.1%. However, most of the returns an investment will earn will come from the explosive growth.

Consumer defensive stock

North West Company Inc ([TSX:NWC](#)) is another top long-term investment that you can count on in the short-term. North West has been a strong company for years. However, it's only now getting the recognition.

One of the main reasons it's seen an increase in its business recently is due to a tailwind created from the economic conditions of the pandemic.

The pandemic is hurting the 20% of its business that comes from southern markets in the Caribbean. However, the other 80% of its business from remote communities in Northern Canada and Alaska are more than making up for it.

There are several reasons why a strong business such as North West is performing so well. First, the company was in a great position for this.

North West had just sold non-core assets. In addition, it's also been building up a strong inventory management system to go along with its own cargo airline. This is crucial for reducing costs as well as controlling its own delivery times to ensure better merchandising and service for its customers.

Furthermore, the top defensive stock is seeing an increase in sales through market share growth. Sales in big-ticket items and other discretionary goods are also helping to grow revenue. This is due to trends such as ongoing stimulus and consumers' inability to spend on other big-ticket items such as vacations.

In the short-term, North West will continue to perform well and likely continue to grow market share. Then as the world rounds the corner and eventually puts the pandemic in the rearview, you can expect a boost from its southern segment.

North West is the perfect [safe stock](#) to buy for this highly volatile environment. It has a robust business, a strong balance sheet, and will continue to grow shareholder value.

Bottom line

Although volatility is heating up, these two defensive stocks can help stabilize your portfolio. These businesses are defensive, high-quality operators and proven they can provide big returns for investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:NWC (The North West Company Inc.)

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1. Business Insider
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