2 High-Upside Bets for Low-Risk Investors

Description

You don't need to bet the farm on stocks that depend on the timely elimination of the coronavirus to punch your ticket to excess risk-adjusted returns over the year ahead. What you do need is the temperament to deal with the recent uptick in volatility and the patience to wait for the best bargains to be thrown your way.

Following the latest market sell-off, there is an abundance of bargains. This piece will look at three that I think are suitable for low-risk investors who don't want to run the risk of losing their shirts if this pandemic were to drag on into 2023.

Without further ado, consider **Pizza Pizza Royalties** (TSX:PZA) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

Pizza Pizza

My bull thesis on shares of Pizza Pizza is twofold. First, as the COVID pandemic drags on, Pizza Pizza's solid delivery infrastructure will allow it to hold its own far better than most other quick-serve restaurants out there. The company is built with delivery in mind and won't be affected nearly as much if we're due for another round of lockdowns and dining room closures.

Second, the coronavirus recession could have the potential to be worse than that of the 2007-08 Great Recession or even the Great Depression that followed the crash of 1929. There's no telling how much more economic devastation we'll be in for. If we're not due for a V-shaped recovery, many Canadians will be tightening their belts. With one of the best value propositions in the pizza space, the demand for Pizza Pizza's offerings, I believe, could be in a spot to surge.

Pizza Pizza is off its pre-pandemic highs, and unjustly so given Pizza Pizza's delivery edge and its downturn-resilient offering. I think the stock could be headed to the double digits amid the pandemic once investors have a chance to better recognize the firm's relative resilience.

Royal Bank of Canada

I've often referred to **Royal Bank of Canada** (TSX:RY)(NYSE:RY) as a king among men in the banking scene this year. The bank has seen more favourable provisioning trends versus the likes of its smaller brothers in the Big Five, and its CET1 ratio recently bounced to 12% thanks to its more favourable loan mix.

While Royal Bank won't be immune to continued COVID-19 headwinds, it does look in much better shape than its peers to weather several waves of worsening outbreaks over the next year and beyond. Shares of RY are down just 16.5% from their all-time highs, with a 1.7 price-to-book multiple, which, while on the higher end as far as banks are concerned, is still modest when you weigh the bank's degree of pandemic-resilience.

Royal Bank may be one of the priciest bank stocks this year, but it deserves every bit of its premium multiple. As lower interest rates weigh, Royal Bank's capital markets and wealth management businesses should be able to do more heavy lifting. Royal's 4.8% yield may not be the richest in the Big Six, but it's certainly one of the safest.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:PZA (Pizza Pizza Royalty Corp.)
3. TSX:RY (Royal Bank of Canada)

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