These 3 Stocks Can Provide a Solid Backbone to Your Growth Portfolio

Description

Growth investors will see much more volatility in their portfolios than value investors. However, there are ways to mitigate this. One way would be to build a foundational group of companies to serve as the backbone of your portfolio. These companies should have a good amount of upside in the near future but should be much less volatile in nature. In this article, I will discuss three companies that can serve as the backbone to your growth portfolio.

A leading financial provider in a growing region

The first company investors should consider is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). This company is a member of the Big Five, which speaks to its quality among the Canadian banks. Of that group, Bank of Nova Scotia is the most established within the Pacific Alliance. This is the basis of my investment thesis for the company.

The Pacific Alliance is a regional initiative created by Peru, Columbia, Mexico, and Chile. Over the next decade, economists predict a much larger GDP and population growth within this region compared to nations from the G7. Because of Bank of Nova Scotia's positioning within this region, the company is poised to benefit from the growth projected to emerge in the coming years.

Bank of Nova Scotia has had a rough year, because of the pandemic. Its stock is down 7% year to date. However, investors would be wise to stay focused on the big picture and see this as an opportunity to enter a position in the company.

A dark horse within the Canadian rail industry

As I have written in previous articles, **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) is a company that Canadians should be holding in their portfolios. Canadian Pacific is an excellent dividend distributor and could see a lot of growth in the coming years.

This year, the company has made several acquisitions that greatly expanded its network. The most notable acquisition may have been the purchase of the Central Maine & Quebec railway. This allows the company to return to the Atlantic region, an opportunity that president and CEO Keith Creel believes the likes of which happen once a generation.

Canadian Pacific stock has performed well this year. Year to date, the company has gained 27%, dividends excluded. When you consider the company's 20.4% payout ratio and a 10% dividend-growth rate over the past five years, it becomes even more difficult to stay away from the company.

This industry has a lot of room to grow

Finally, investors should look at the renewable energy industry. Within this space, there are many companies that present intriguing investment opportunities. I believe **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) stands atop its peers.

Brookfield Renewable is a global leader in renewable energy generation. Its 5,318 generating facilities have a total capacity of 19,400 MW. The company's assets include solar, hydro, wind, distributed generation, and storage facilities.

Company management has made a goal of providing annualized returns of 12-15% over the long term. Over the past two years, Brookfield Renewable has surpassed these goals tremendously. Since the start of 2019, Brookfield Renewable has gained more than 150%. With Joe Biden declaring his commitment to invest in clean energy companies, renewable energy providers such as Brookfield Renewable may see a lot more growth in the future.

Foolish takeaway

Finding companies with interesting growth propositions combined with low volatility can be very beneficial to investors. It will provide some stability in your growth portfolio, while not sacrificing potential alpha. Investors that wish to add a solid backbone to their portfolios should look at the Bank of Nova Scotia, Canadian Pacific Railway, and Brookfield Renewable Partners.

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CP (Canadian Pacific Railway)
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