An All-Weather TSX Stock Portfolio for Beginners

Description

Stock markets come with an inherent volatility risk. You can not entirely avoid it, even if you have an ultra-defensive portfolio. After all, that's why equities are the best-performing asset class for several decades. To minimize the volatility risk, one can certainly go for recession-resilient, diversified **TSX** stocks. Their stable dividends and slow stock price movements should outperform in bear markets.

Here are three stocks that have played well in market downturns.

AltaGas

When a company can generate stable profits in any economic scenario, it is generally a safe bet. Its consistent earnings enable stable dividends and decent stock appreciation as well. A $5.5 billion **AltaGas** (TSX:ALA), an energy midstream and utility, is one such company.

AltaGas has a productive blend of natural gas transportation and distribution operations. It primarily operates through three segments: midstream, utilities, and power. The company's utilities segment caters to nearly 1.6 million customers.

While the utilities division makes up for approximately half of its total earnings, the power segment contributes a small portion. Notably, higher exposure to regulated utility operations makes its earnings as well as dividends more stable.

AltaGas stock is currently trading at a dividend yield of 5%. It pays monthly dividends. One can expect a decent increase in shareholder payouts over the years as the company grows its profits.

Fortis

Top utility **Fortis** (TSX:FTS)(NYSE:FTS) is another safe play. Its 47 consecutive years of dividend increase speaks for itself. It offers a dividend yield of close to 4%, higher than TSX stocks at large.

Utility stocks like Fortis generally exhibit a lower correlation with broader markets. In the 2008 financial crisis and even during the pandemic-led crash last year, Fortis notably outperformed the **TSX Composite Index.**

Investors flee to stable dividend-paying stocks during market downturns. Their slow-stock price movements and consistent dividends play well compared to risky, growth stocks.

Fortis has been a consistent wealth accumulator in the long term. In the last 20 years, FTS stock has returned more than 13% compounded annually, including dividends. A $10,000 invested in FTS in 2001 would be worth $118,750 today.

Rogers Communications

Canadian telecom giant **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is my third pick for your defensive portfolio. A $31 billion company is the second-largest by subscribers and is well ahead in the 5G race. Rogers could see augmented earnings growth for the next few years, driven by its huge subscriber base and lead in the 5G roll out.

Telecom companies like Rogers generate stable cash flows even in recessionary environments. Like utilities, telecom companies pay a large portion of their earnings to shareholders in the form of dividends. Rogers has a dividend yield of 3.5%, close to TSX stocks' average.

Even if Rogers' yield is relatively lower than peers, its capital gain prospects and discounted valuation makes it an attractive bet.

Index funds

Apart from the three safe TSX stocks, investors can consider investing in an index fund. If you want to bet on the entire Canadian economy, consider **iShares S&P/TSX 60 Index ETF** (TSX:XIU). It offers long-term capital gain with exposure to the country's top 60 stocks.

The legendary investor Warren Buffett highly recommends investing in index funds and follows it. As investors bet on several top stocks at once with index funds, the stock-specific risk gets branched out. So although one sector or stock meets near-term headwinds, other stocks in the fund counterbalance and make up for those losses.

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TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:RCI (Rogers Communications Inc.)

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6. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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Date
2025/07/05
Date Created
2021/02/09
Author
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