



## Investing With a Barbell Strategy? Enbridge Stock Makes a Great Core Holding

### Description

Investors have a variety of different investment strategies they can choose to employ. Among these, one of my favorites is what's known as a barbell strategy. I'm going to dive into what this is and why Enbridge makes a great holding in such a portfolio.

### Barbell strategy = avoiding middle-of-the-road stocks

Some investors choose to invest using a barbell strategy with respect to risk. What this means is investors choose investments on either end of the risk spectrum and avoid those medium-growth, medium-risk stocks that typically make core holdings for many investors.

For example, in a TFSA, one could choose to keep only high-risk, high-growth companies for half the overall portfolio (or thereabouts). This same investor could simultaneously, in an RRSP, put the other half of the overall portfolio in low-risk, income-producing stocks. An investor would maximize their returns over time by getting capital appreciation (tax-free, of course) in their TFSA. This investor would also get the safety and income of the stocks in its RRSP (where one should be more cautious).

For those choosing to go with a barbell-type investment strategy, Enbridge is a great choice. This is a long-term anchor I'd recommend every investor consider throwing into their RRSP right now.

### Why Enbridge?

When thinking about low-risk, high-yielding stocks, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is the first company that jumps to mind.

Enbridge's business model is predicated on its long-term energy transportation (pipeline) contracts with oil producers. Enbridge has locked in volume contracts with these producers with favourable terms, reducing the company's commodity exposure substantially. Indeed, this business model also provides excellent cash flow stability. I expect the company's rate of growth on its cash flows to continue to provide double-digit, long-term total return for investors. This cash flow stability provides underlying

safety and supports the company's 7.6% dividend yield.

This dividend yield is important for long-term investors to consider. Many investors have focused on such income-producing equities as an alternative to cash. Interest rates for most savings accounts are near zero. Owning a sizable portion of dividend-paying stocks right now is very attractive relative to holding cash.

The safety Enbridge provides accentuates such a thought process. Indeed, I think this is a great long-term holding for those seeking income as well as safety in retirement.

## Bottom line

I think Enbridge is one of the top TSX stocks every investor using a barbell strategy should consider for the low-risk portion of the portfolio. Indeed, this stock does hold decent capital appreciation upside over the long term due to its stable and growing cash flow streams. However, I think this is primarily an income/safety play, and think investors should treat it as such right now.

### CATEGORY

1. Dividend Stocks
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2. dividend stock
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5. market
6. Stocks
7. yield

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
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