1 Defensive Stock That’s a Perfect Pick for Beginners

Description

There are always great stocks to buy, regardless of the market environment. Indeed, volatility has been quite unforgiving to many beginner investors this autumn season. For those overweight in the sexiest of high-growth stocks, the pain has undoubtedly been amplified. Indeed, this stresses the importance of diversification, especially for young investors who are new to the game.

Sure, many legendary investors, including the likes of Warren Buffett, Charlie Munger, or Peter Lynch, may view diversification as overrated or even for those who don’t know what they’re doing. But regardless, new investors need the degree of safety from themselves, as it’s quite easy to get caught in the hype and overestimate both one’s ability to take on risks and stock-selection skill.

While it’s true that over-diversification can lead to results that are more in line with the broader market indices, I’d argue that over-diversification, especially for beginners, is hardly the worst-case outcome. Especially in the type of market environment, we find ourselves in, where rotations and reverse rotations have become the new normal.

New investors: Stay the course despite the volatility

For a beginner, getting a return that’s closely tied to the **S&P 500 Composite Index** isn’t the worst thing that could happen. Indeed, beginners should insist on dipping a toe into the market waters before submerging an entire foot. And in due time, they can concentrate a portfolio in fewer holdings as many greats like Buffett have over the years.

In any case, here’s one great stock that can help many beginners further diversify their holdings away from sectors that may be most vulnerable to a further pullback. Undoubtedly, the odds of additional rate-driven rotations out of tech and higher-growth stocks seem high at this juncture.

But rather than selling out of them after the fact to bring your portfolio back into the right balance, consider diluting such exposure with names like **Hydro One** (TSX:H). The underrated dividend stock is a classic defensive dividend play, and right now, shares are pretty cheap relative to most of the other names out there these days!

Hydro One: The perfect way to bring a growth-focused portfolio back into balance?

Hydro One has one of the safest dividends out there. While it may not possess the most significant yield in the world, it is undoubtedly supported by one of the most robust operating cash flows out there, thanks in big part to the regulated nature of the firm's business. Hydro One won't cater to the growth crowd. If anything, the firm is the anti-growth play, given its monopolistic share of Ontario's transmission lines makes it tougher to hike rates substantially higher.

Moreover, Ontario's stake in the company makes acquisitions in U.S. markets tougher to come by. In any case, investors shouldn't be in the name for its growth. Rather, they should be in it for the juicy 3.5% dividend yield and the near-zero correlation to the TSX.

So, if you have too much growth in your portfolio, H stock is a great way to bring it back into balance. At just 19.3 times earnings, Hydro One is a great value play to ground yourself after the recent 7% pullback off its highs.

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Author
joefrenette