



4 Canadian Stocks to Cushion Against Rising Volatility

Description

With the world continuing to grapple with the highly infectious Omicron variant, the volatility in the equity markets has increased. So, in this volatile environment, investors should strengthen their portfolios by investing in companies that deliver stable cash flows, even during economic downturns. Meanwhile, here are four such companies.

Dollarama

First on my list is **Dollarama** ([TSX:DOL](#)), one of the top performers over the last 10 years, with returns of above 1,175% at a CAGR of 29%. Supported by its 1,397 stores across Canada, broad assortment of products, and higher margins due to direct sourcing initiatives, the company has delivered a solid performance during the period, boosting its stock price.

Meanwhile, the uptrend in Dollarama could continue, as it is strengthening its positioning in the highly fragmented Canadian retail market by increasing its store count and strong value proposition. The company's management expects to increase its store count to 2,000 by 2031. The rising inflation could drive more customers towards low-cost retailers, benefiting the company. The company also owns a 50.1% market share in Dollarcity, a Latin American value retailer that operates 312 stores across Colombia, El Salvador, Guatemala, and Peru. So, given its non-cyclical business and healthy growth prospects, I am betting on Dollarama in this uncertain environment.

Waste Connections

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) collects, transfers, and disposes of non-hazardous solid wastes, mostly in exclusive or secondary markets. It generates stable cash flows due to the essential nature of its business. With the company operating in lesser competitive markets and its disposable sites closer to the waste-generating sources, it enjoys higher margins.

Apart from organic growth, the company also focuses on strategic acquisitions to drive growth. Since the beginning of this year, it has acquired US\$240 million of assets. These acquisitions could add

US\$100-US\$150 million to its annualized revenue. With cash and cash equivalents of around US\$340 million, the company is well equipped to continue with its strategic acquisitions.

Also, Waste Connections could benefit from increased exploration and production activities due to higher oil prices. So, I expect the uptrend in the company's stock price to continue.

Canadian Utilities

My next pick is **Canadian Utilities** ([TSX:CU](#)), which has been raising its dividend for the last 49 years, the longest Canadian public company to do so. It serves around two million customers, delivering them natural gas and electricity. With a significant part of its revenue generated from low-risk utility businesses, its cash flows are predictable, thus allowing it to raise its dividend consistently.

Meanwhile, Canadian Utilities has planned to invest around \$3.2 billion through 2023 to increase its rate base from \$14 billion in 2020 to \$14.8 billion. A higher rate base, solid underlying business, and favourable rate revisions could boost its financials in the coming quarters. Meanwhile, its financial position also looks healthy, with its liquidity standing at \$2.8 billion. So, [Canadian Utilities could be an excellent bet in this uncertain environment](#).

NorthWest Healthcare

My final pick is **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](#)). It [owns and operates 16.2 million square feet](#) of healthcare properties spread across seven countries. Given its defensive portfolio, long-term agreements, and government-supported tenants, the company enjoys high occupancy and collection rate. So, it enjoyed strong cash flows even during the pandemic.

Meanwhile, NorthWest Healthcare is expanding its portfolio. It has completed \$400 million of acquisitions this year and is working on acquiring Australian Unity Healthcare Property. The company has approximately \$1 billion of projects in the development stage. So, I believe the company's dividends are safe. It pays monthly dividends, with its forward yield at 5.94%.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:DOL (Dollarama Inc.)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
5. TSX:WCN (Waste Connections)

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