



Top 4 Cheap TSX Stocks to Build a Balanced Portfolio in 2022

Description

The recent [bear market](#) has reiterated the importance of a balanced portfolio. A balanced portfolio is a mix of different asset classes and stocks that react differently to macroeconomic and industry-specific situations. For instance, **Air Canada** has reacted negatively to the pandemic, but **Cargojet** has reacted positively. Both are airlines, but one is a passenger airline, and the other is for cargo. The pandemic-induced lockdowns put Air Canada in the red but brought windfall gains to Cargojet.

If you own both stocks, one's weakness is offset by the other's strength, bringing a balance to your portfolio. Here are four such stocks that could bring a balance to your portfolio:

- **NorthWest Healthcare Properties** ([TSX:NWH.UN](#))
- **SmartCentres REIT** ([TSX:SRU.UN](#))
- **Northland Power** ([TSX:NPI](#))
- **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#))

Real estate stocks

Canada's real estate sector is booming. But real estate itself is a vast portfolio, comprising office, residential, retail, healthcare, industrial, warehousing, and many more. The rent and prices of each of these properties vary and are influenced by different factors. You can leverage this diversity and include two opposite stocks in your portfolio.

In the March 2020 dip, NorthWest Healthcare Properties dipped 43% in a month and surged 75% in 11 months. The healthcare REIT has 189 income-producing properties in the Americas, Europe, and Australasia. The pandemic had a short-term impact on NorthWest, but there were no material changes to its future cash flows and property rates, as healthcare was a hot sector during the pandemic. Northwest stock rallied 51.3% between March 20 and October 30, 2020. Since then, the stock has surged 18%.

SmartCentres REIT surged only 20.5% between March 20 and October 30, 2020, as it took a [big hit](#) from the lockdown that closed all non-essential retail stores. Its gross rent collection fell to 74% in April

2020 and improved to 84.8% in July. The REIT's huge dependence (25% of gross rent) on **Walmart** stores and a strong balance sheet saved it from cutting dividends. The stock fell 44% in the March dip and started recovering in November 2020, when the vaccine news came. Since then, the stock has surged over 50%.

The two REITs balanced each other's slow and fast growth cycles. At present, the two REITs are down 2.9%, creating an opportunity to lock in a 5.95% dividend yield. You can buy some stocks now and some later if the Omicron dip continues. This way, you can enjoy the recovery rally.

Energy stocks

With energy stocks, the world is divided between oil and renewable energy. While oil is not environmentally friendly, it is a go-to energy source when renewables fail. Major economies accelerated their move to renewables, like wind and solar, but extreme weather conditions reduced energy production. This, along with other factors, created a supply shortage and boosted oil prices.

You can leverage this contrast of oil and renewable energy by buying both, Suncor Energy and Northland Power. After the March 2020 dip, Suncor stock dipped 6% until the vaccine news was out, whereas Northland stock surged 82%. When Suncor was weak as the pandemic created oil oversupply, Northland surged as the focus shifted towards renewables. The opposite also came true the following year. Between February 1 and March 15, [oil prices](#) began to rise, as the reopening of economies boosted oil demand. During this period, Suncor stock surged 34%, while Northland stock fell 4.3%.

While the two are not inversely proportional, they can make you a winner regardless of the direction that energy demand tilts (oil or renewable).

Key takeaway

Every portfolio has a different objective like retirement savings, wealth creation, or higher education. But all portfolios need a hedge against downside risk. Hence, it is important to balance this risk with some resilient stocks, or the ones that surge in adverse situations. The right way to diversify your portfolio is not by having too many stocks of the same type but by having a handful of stocks with different characteristics.

CATEGORY

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TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:NPI (Northland Power Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
5. TSX:SU (Suncor Energy Inc.)

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Date

2025/08/21

Date Created

2021/12/14

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