



Top 3 Stocks to Build an All-Season Portfolio for Medium-Risk Investors

Description

The current [market downturn](#) has turned many investors' portfolios red and created panic among some investors. It is natural to worry when you see your investments going down. You can convince yourself to hold the stocks. But the truth is, it hardly works. A better motivation is an all-season portfolio that mitigates your risk and keeps your overall portfolio returns positive.

How to build an all-seasons portfolio

Investments go beyond equity and include debt funds, commodities, [real estate](#), and crypto. Each asset class is affected by different factors. For instance, when interest rates rise, high-value stocks fall and debt funds surge. Similarly, commodities and real estate tend to do well when inflation surges.

Diversify your portfolio across all or some asset classes. When one investment dips, the other will rise and balance your portfolio returns. A not-so-deep red portfolio will keep you away from panic selling and regretting your decision later.

Thankfully, you can get exposure to different asset classes through equity. Here are three stocks to build an all-seasons portfolio that could mitigate your downside:

- **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#))
- **Constellation Software** ([TSX:CSU](#))
- **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#))

Since December 20, 2021, Toronto-Dominion Bank and Suncor stocks have surged 5.46% and 16.6%, respectively, whereas Constellation Software stock has fallen 10.4%. When the TSX Composite Index dipped, your portfolio gave positive returns. Here's why.

Toronto-Dominion Bank

Toronto-Dominion Bank is one of the Big Six banks of Canada. Bank stocks benefit when interest rates

rise, as they can charge a higher rate for loans and attract more investments in bank deposits. However, its wealth management and brokerage business could take a hit as higher interest rates negatively impact stock prices. But TD's overall business could see an increase in profits from higher interest rates.

TD Bank's stock not only gives capital appreciation but also a [dividend](#) of 3.56% a year (based on the stock price at the time of writing). The stock surged 34.84% in 2021, outperforming the TSX Composite Index, which surged 21.7%. But the bank's stock fell 1.96% in 2020, underperforming the market that surged 2.15%. At that time, the market surged on the back of tech stocks.

Constellation Software stock

This brings us to our next stock, Constellation Software, which surged 30% and 42% in 2020 and 2021, respectively. But it dipped 14.7% in the [tech selloff](#) and is now trading at August 2021 levels. Constellation acquires small vertical-specific software (VSS) companies that operate in a niche market with little competition. It seeks companies that offer mission-critical software, which makes their product sticky, and they enjoy a steady cash flow. Constellation provides these small companies with marketing, management, and financial backing to help them grow.

But organic growth is not quite Constellation's strength. Acquisitions have helped it grow its revenue at a compounded annual rate of over 13% in the last five years. The company is now broadening its horizon and [spinning out](#) subsidiaries to trade on the stock exchange. The first subsidiary to launch an initial public offering ([IPO](#)) is **Topicus**. This change could enhance returns for Constellation.

This is a good time to buy Constellation stock while it trades at a discount. The stock could continue its seven-year growth trajectory and generate more than 20% return by the end of 2022.

Suncor Energy stock

Integrated oil company Suncor Energy is balancing growth and dividends. The company benefits when the oil price rises, as it can get a higher price for its produce. But the stock takes a hit when oil prices fall. It is a cyclical stock with limited upside.

The next two years are good for Suncor, as the oil supply remains tight amid demand uncertainty caused by Covid variants. Moreover, the shift to renewable has reduced government funding for oil and gas development, adding to supply tightness. Some economists expect Brent's crude price to reach US\$100/barrel. Suncor looks to pass on the benefit of the energy crisis to shareholders by boosting dividends in the next two to five years.

The three stocks could prepare your portfolio for all seasons of 2022 with medium risk.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)

2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:SU (Suncor Energy Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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