Where to Invest $1,000 in 2023

Description

After a challenging 2022, the Canadian equity markets have made a bright start to 2023, with the **S&P/TSX Composite Index** rising by 6.3%. With the December inflation numbers coming below expectations, investors believe the monetary tightening initiatives undertaken by central banks are delivering desired results, thus driving the index. However, I believe economic headwinds still persist, given higher interest rates and ongoing geopolitical tensions.

In this uncertain outlook, investors should strengthen their portfolios with stocks that possess solid underlying businesses and generate stable and predictable cash flows. So, here are my three top defensive picks that you should invest your $1,000 in right now.

Waste Connections

Waste Connections (TSX:WCN) is a waste management company that collects, transfers, and disposes of non-hazardous solid waste in various markets across the United States and Canada. Despite broader economic headwinds, the company has continued to drive its financials in 2022, with its revenue and adjusted EPS (earnings per share) growing by 18% and 17.7%, respectively, in the first three quarters. It also generated an adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of $1.66 billion, representing a year-over-year growth of 16.4%.

Supported by these solid financials, the company's stock price rose 4.9% in 2022, outperforming the broader equity market. Meanwhile, given its continued acquisitions and price revisions, I expect the uptrend to continue. In the first three quarters of 2022, Waste Connections has completed acquisitions that could contribute US$535 million to its annual revenue. It is working on closing some deals that could add annualized revenue of US$35 million. So, the company's growth potential looks healthy.

Waste Connections has raised its dividends for the last 12 consecutive years, with its yield currently at 0.6%. Although the company's valuation looks expensive, with its NTM (next 12-month) price-to-earnings multiple of 32.5, I continue to be bullish on the stock due to its solid underlying business and stable and predictable cash flows.

Fortis

Although utility stocks are generally considered safe due to their regulated assets and long-term contracts, these companies have been under pressure over the last few months. Investors are worried that rising interest rates would hurt the margins of these companies, given their capital-intensive business. Amid the poor investor sentiments, **Fortis** (TSX:FTS) has lost around 15% of its stock value compared to its 52-week high while trading at 18.5 times its projected earnings for the next four quarters.

However, the company is progressing with its $22.3 billion secured capital investment program, which could grow its rate base at an annualized rate of 6.2% through 2027. The expansion of the rate base could drive its cash flows, thus allowing the company, which has raised its dividend for the last 49 years, to maintain its dividend growth. Meanwhile, the company's management expects to increase its dividend at a CAGR (compound annual growth rate) of 4-6% through 2027. It currently pays a quarterly dividend of $0.565/share, with its yield at 4.1%. So, considering its consistent dividend growth and attractive valuation, Fortis looks attractive for risk-averse investors.

Telus

Telus (TSX:T) would be another excellent stock to have in their portfolio due to the growing demand for telecommunication services and its recurring revenue source. Meanwhile, the company has adopted an aggressive capital program to strengthen its 5G and broadband infrastructure to drive its growth.

Apart from the usual wireless, wired, and media segments, the company is also focusing on tech-oriented segments, such as TELUS Health and TELUS Agriculture & Consumer Goods, which could boost its financials in the coming years. So, Telus's growth prospects look healthy, despite an uncertain economic outlook.

The company has enhanced shareholders' wealth by raising its dividend 23 times since 2011. With a quarterly dividend of $0.3511/share, its yield for the next 12 months stands at 4.9%. Also, it trades at 21.8 times its projected earnings for the next four quarters, making it an attractive buy.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)
2. TSX:T (TELUS)
3. TSX:WCN (Waste Connections)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. rnanjapla

Category

1. Investing

Date
2025/06/27
Date Created
2023/01/26
Author
rnanjapla