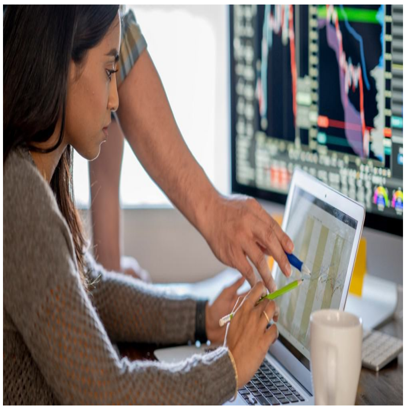

Wherever the Market Goes, I'm Buying These 3 TSX Stocks

Description

Some stocks defy broad market pressures and outperform, irrespective of the economic cycles. While the competitive advantage is one of the key factors behind their outperformance, valuation also plays a crucial role for such stocks. Here are three such TSX stocks that stand tall and will likely outperform irrespective of the market direction.

Dollarama

Canadian discount retailer **Dollarama** (TSX:DOL) has shown steady earnings growth and margin stability even amid the inflationary periods since last year. It has notably outperformed broader markets in bull as well as bear markets. So, it is an attractive bet for your all-weather portfolio.

Dollarama offers a range of merchandise at low prices sourced from cost-effective vendors. Apart from the supply chain efficiency, its substantial geographical presence differentiates it from its peers. It operates more than 1,460 stores in Canada, which is way higher than its peers.

Dollarama's net income has grown by a decent 13% compounded annually in the last 10 years. It has shown superior margin stability, even compared to discount retailers in the U.S., mainly due to its product and sourcing mix. Its comparable store sales growth came in at 11% in the last 12 months.

DOL stock has returned 25% in the last 12 months and 750% in the last decade. Its earnings-growth visibility will likely drive handsome shareholder returns in the long term.

BCE

Telecom stocks are classic defensives. Canada's largest player by market cap **BCE** (TSX:BCE) is an appealing bet for conservative investors. It is expected to pay a dividend of $3.87 per share in 2023, implying a yield of 6.3%.

BCE has notably increased its capital expenditure in the last few years and will invest around $5 billion annually through 2024. This will mainly go toward network improvements, which will likely help expand its subscriber base.

BCE currently caters to around 10 million wireless subscribers, representing an approximately 30% market share. It also dons higher ARPU (average revenue per user) compared to peers, which will likely further expand in the next few years.

BCE stock has returned 9% compounded annually in the last 10 years. Its capital appreciation will most likely be slower, driven by slower earnings growth. But investors can expect steadily rising shareholder dividends to be the main contributor to its total returns.

Bank of Montreal

Canada's second-biggest bank, **Bank of Montreal** (TSX:BMO), is another strong bet in the current environment. Bank stocks are the first to lose steam when the economy catches a cold. However, BMO looks relatively strong compared to peers and could outperform, even in case of a broader downturn.

BMO has paid shareholder a dividend for the last 194 consecutive years, suggesting dividend stability and reliability. Without stable earnings growth and a sound balance sheet, this wouldn't have been possible.

Moreover, it is relatively well placed to withstand an economic shock, and that's because of its superior common equity tie-one ratio of 16.7%. Canadian banks have this ratio of around 12-13%.

BMO's rapidly expanding U.S. operations could trigger faster earnings growth in the next few years. It currently yields 4.2%, which is in line with its peers. Driven by higher net interest margins amid rate hikes this year, BMO could keep growing stably, creating value for shareholders.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:BMO (Bank Of Montreal)
3. TSX:DOL (Dollarama Inc.)

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