Get Defensive With These 3 “Unsexy” Canadian Stocks

Description

Amid the current economic environment, unsexy stocks really are the place to be over the next few years. Investors will begin to understand the dangers of investing in companies that find ways to juice short-term growth expectations by engaging in potentially destructive long-term actions. One example of this is overpaying for acquisitions.

Here are three companies that are as “unsexy” as they come. They won’t hammer your portfolio in down markets like cult/trend stocks (think cannabis).

NFI Group

One of the largest makers of buses in North America, **New Flyers Industry Group** (TSX:NFI) is an operator in such an “unsexy” sector that has witnessed sales growth slow. There is little in the way of positive catalysts to make NFI a long-term growth play for investors.

That said, NFI does generate excellent free cash flow with its existing book of businesses. NFI is therefore likely to maintain a relatively steady long-term customer base through replacement sales of new buses needed to update aging bus fleets throughout North America.

Thus, NFI is well positioned to support its attractive dividend yield of 5.4%. In addition, NFI could see a more positive outlook over time should the company’s EU-focused growth initiatives pan out.

XGD

I am certainly in the investor camp that believes the runway for gold, and therefore gold producers, is much longer than many analysts or investors seem to think today. Gold producers represented by exchange-traded fund (ETF) **iShares TSX Gold Index ETF** (TSX:XGD) is a great place for investors who are new to the gold space.

XGD is also great for investors who want a diversified option to choose from that represents a broad basket of gold miners.

This ETF allows investors who want to play the rising price of oil to do so with additional leverage to the price of gold, an important concept for investors to understand. The operating leverage gold mining companies provide essentially amplifies the volatility in the price of gold.

This is reflected in the prices of gold miners' equities/valuations. For example, if the price of gold doubles, a particular gold miner might triple or quadruple in value. This amount will depend on the degree of operating leverage provided by said company.

Gold has been perpetually out of favour with financial markets for the better part of the past decade. However, I believe this "unsexy" sector is due for a continued rebound, which makes XGD a great idea today.

Nutrien

Anything heavily tethered to commodity prices seems to be getting hammered recently, which is largely due to demand concerns out of China, which accounts for roughly 1/3 of all global commodities growth. **Nutrien Inc.** (TSX:NTR) is no exception.

That said, I believe the long-term fundamentals for fertilizer remains strong. Our global, growing population needs to eat. I do see a scenario playing out in which the PBOC will eventually step in in a big way to stop global fear from spreading and ultimately putting a floor under commodities prices.

This move should greatly benefit a beaten-up and out-of-favour company like Nutrien. If you believe, as I do, that Q2 could see such an action, Nutrien looks very attractive at today's levels.

Stay Foolish, my friends.

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1. TSX:XGD (iShares S&P/TSX Global Gold Index ETF)

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