Stay Invested With These 2 Stocks

Description

In such times, staying invested can seem like a very difficult thing to do. Buying more stock is even harder, especially when one sees the red number denoting their portfolio return continue to grow. That said, as with all crises and recessions, this too shall pass. Let's focus on options for investors to nibble at that happen to be on sale now (and may continue to be for some time moving forward, nonetheless).

Royal Bank of Canada

It's truly incredible to see how the dividend yields of absolutely massive blue-chip stocks like **Royal Bank of Canada** (TSX:RY)(NYSE:RY) have ballooned to as high as 6% recently. This market selloff has indiscriminately hit all sectors. However, energy and financials are the specific areas of the Canadian economy that have been devastated the most.

Royal Bank has essentially give up all its growth for the past three to five years at writing. The company is now trading at approximately 10 times the yield on a five-year Canadian government bond.

Thus, there is real potential upside here for investors who believe the book value of Royal Bank will remain unaffected by this crisis.

The Canadian lender is paying out a reasonable percentage of its earnings to investors, which means RBC's dividend is safe at least for the next year.

In addition, I believe that RBC has the ability to weather the storm better than most of its peers due to the company's size and diversified, vertically integrated business operations worldwide.

A&W Royalties

I've touched on some of the benefits of owning companies that have a royalty structure in these economic times in the past. It's important to reiterate the differences in the business models of companies like **A&W Royalties** (TSX:AW.UN) and other fast food chains with corporate-owned business models.

The obvious benefit investors get from owning a royalty company right now is less exposure to fixed operating costs. Franchises of A&W locations are responsible for rent, electricity, etc. as well as the variable costs of running each location, namely, labour. A&W Royalties takes a cut of its top line revenue.

So while earnings and profitability will indeed drop during the coming quarters for the parent company, the company has far less exposure to operational issues, which is good for investors.

Companies like A&W Royalties have another key benefit. Investors looking at what the future may hold on the other side of this recession will appreciate A&W Royalties' capital-light business flexibility, which comes with this structure.

This company can theoretically grow faster coming out of poor economic times with new restaurants. This is true as long as it is possible to find new franchisees to take on the capital investment. This is a key risk the market is pricing in right now.

Stay Foolish, my friends.

CATEGORY

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1. banking
2. canada
3. fast food
4. investment strategy
5. recession

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:RY (Royal Bank of Canada)

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