INVESTOR'S EDGE

3 safe stocks for times of tumult

Markets are up now, but clouds are on the horizon

"Never invest in a business you cannot understand." — Warren Buffett

Jim Burns CFA
Contributing columnist

Through the first three quarters of 2019, markets are having a superb year, with the S&P 500 Index up approximately 21% at the time of this writing. A dovish Federal Reserve, better than expected corporate earnings, and a resilient U.S. economy have allowed stocks to surge higher as investors have moved on from the sharp decline of 2018's fourth quarter.

However, there are clouds on the horizon that should be concerning for investors. Bond yields are incredibly low, reflecting slowing global economic growth, the U.S. China trade war has no end in sight, and Brexit continues to pose a significant risk for Europe. Finally, impeachment proceedings against President Trump, and the tumultuous upcoming presidential election cycle, will likely rattle markets as we head into 2020.

These fears have led many investors to move their money into cash, corporate bonds, treasuries, and other traditionally "safe" asset classes. In fact, investors have put more than $155 billion into bonds alone over the last three months!

Additionally, equity investors have piled into some of the more defensive sectors of the market, such as utilities and consumer staples, which are now hovering near all-time highs. In fact, the valuations of these sectors are well above historical norms, so you are paying a very high premium for perceived safety.

However, there is another way to invest conservatively, that also leaves more opportunity for growth. There are, in fact, some unique companies whose goods and services have wide economic moats, and whose demand is generally unchanged no matter the economic or political environment. I believe these companies will be excellent long-term investments, and at the same time, provide protection should markets struggle.

ECOLAB INC. (TICKER SYMBOL: ECL)

Ecolab develops sanitation products, chemicals, and solutions for the food, energy, and health care industries. They ensure restaurant dishes are properly cleaned, hotel sheets are washed, and Doctors' offices are properly sterilized. Furthermore, they help companies manage their energy and water use. Ecolab operates in a relatively stable and predictable industry, as its customers must maintain basic sanitation and safety standards in order to stay in business. Furthermore, most of Ecolab's products are proprietary, making switching costs for consumers and businesses high, as

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evidenced by the company's nearly 90% customer retention rate.

Ecolab has a long track record of consistently raising its dividend going all the way back to 1986. I believe the company's leading position in cleaning and sanitation make it defensive, yet a growth oriented company to add to your portfolio.

WASTE MANAGEMENT (TICKER SYMBOL: WM)

Back in March, I wrote to you about Waste Management, North America's largest provider of waste disposal and recycling services. Since my article, Waste Management's stock has risen 15% and currently sells at around $115. Waste Management operates in a business we all contribute to: trash and recycling. Even during the 2008-2009 downturn, Waste Management held up better than the market overall, and its business was able to maintain profitability and stable free cash flows, including uninterrupted increases in its dividend yield.

I want to reiterate my confidence in Waste Management's long-term prospects, and believe its dominant position in a growing waste and recycling market, along with its environmental and technological initiatives, should allow the company to achieve an above average return with below average risk.

BRIGHTVIEW HOLDINGS (TICKER SYMBOL: BV)

BrightView is the largest commercial landscape maintenance and development company in the United States. With a team of 14,000 employees, BrightView provides landscaping, lawn moving, tree care, and snow removal to thousands of corporate and commercial properties. BrightView is a stock of local interest, having recently acquired the Syracuse based Pro-Scapes, who provides landscape and snow removal services to many of our local businesses and households.

BrightView is more than 10 times the size of its nearest competitor, and has still only penetrated 2% of the U.S. market! The landscaping and lawn care industry is highly fragmented, allowing the company to continue to grow through accretive acquisitions.

BrightView has only been public since June 2018, and while the stock is a little more than flat since it began trading, shares are up a whopping 70% year to date. Therefore, a BrightView investment should be viewed as a more aggressive one, and heightened volatility should be expected. However, as long as Mother Nature does her job, BrightView will always have customers needing their services.

When all you see and hear on the news is conflicting forecasts and opinions, it is wise to slow down and focus on the fundamental strength of your portfolio holdings. Everyday services and products — such as sanitation supplies, trash removal, and landscaping — are all predicable business models that are unlikely to change, regardless of the latest Washington drama. Keep calm and carry on!

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com

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