2 Defensive Dividend Stocks With Juicy Yields for Uncertain Economic Times

Description

In difficult times it always pays to invest in those companies with products and services that remain in demand no matter how dire the economic outlook. These defensive stocks include consumer staples, utilities, and global infrastructure, such as energy pipelines, ports, and toll roads.

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Typically, these companies have long histories of steadily growing earnings, regular dividend payments, wide economic moats, and solid balance sheets.

Let's take a closer look at defensive stocks that possess each of these characteristics that should be in every portfolio as a means of hedging against economic uncertainty.

Now what?

In times of economic decline and growth, transportation and energy infrastructure are important requirements. This makes it hard to get past **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP). The partnership operates a globally diversified portfolio of high-quality infrastructure assets in North America, South America, Australia, Europe, and China. These include energy transmission, distribution, and storage businesses, as well as railroads, toll roads, and ports.

More importantly for income focused investors, it pays a distribution with an impressive 5% yield.

Given the reliability of its earnings, coupled with a wide economic moat and consistent demand for its services, it has been able to steadily grow earnings as well as funds from operations (FFO). Its 2014 FFO grew by 6% compared with 2013 and this was the fifth straight year in which FFO grew. This strong, consistent growth has allowed Brookfield Infrastructure Partners to hike its distribution at a healthy clip.

In fact, it has hiked its distribution every year since 2009, giving it an impressive compound annual growth rate of 10%, well above the annual average rate of inflation for the same period. It also pays its distributions in U.S. dollars giving investors the advantage of benefiting from the recent strength of the U.S. dollar should it continue.

It is hard to ignore energy utilities when looking for defensive dividend stocks, and electricity provider **Emera Inc.** (TSX:EMA) offers tremendous potential. Emera has a range of power generating and transmission assets across the east coast of Canada and the Caribbean. It possesses a wide economic moat, and demand for its key services and products remains unchanged, with electricity being a key component of modern economic activity.

This has given it the ability to steadily grow earnings and regularly hike dividends. Emera has paid an annual dividend since 1992 and hiked that dividend for the last nine straight years. Emera now pays a sustainable, juicy yield of almost 4%, with an impressive compound annual growth rate in excess of 6%.

I also expect these dividend hikes to continue as the company continues to expand its electricity generating and transmission network, thereby boosting earnings.

So what?

Both stocks offer investors tasty dividend yields, coupled with consistent earnings growth and steady dividend growth. They have yields well in excess of 3% and the likelihood of further dividend hikes is extremely high due to the resilience of their businesses. This is because of the defensive nature of their businesses, as their products and services continue to attract strong demand regardless of any decline in the economy.

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CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:EMA (Emera Incorporated)

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Date
2025/07/30
Date Created
2015/04/22
Author
mattdsmith

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