4 Defensive Dividend Growth Stocks for the Economic Storm Ahead

Description

Dividend-paying defensive stocks are becoming increasingly sort after because of growing global macroeconomic and geopolitical instability. These stocks or companies are non-cyclical, meaning that their performance is not highly correlated to the larger economy. This is because they offer products and services that experience relatively unchanging demand, thus giving them consistent revenue.

Typically, they also have wide economic moats that protect their competitive advantage which in combination with the inelastic demand for their products virtually guarantees long-term earnings growth.

Let's take a closer look at what I believe are four of Canada's best dividend paying defensive growth stocks.

Now what?

My first pick, regulated electric utility **Fortis Inc.** (TSX:FTS) is hard to pass up because of its long history of dividend hikes. Like all electric utilities Fortis possesses a wide economic moat which in combination with the majority of its revenue being regulated virtually guarantees its earnings. This has allowed it to hike its dividend for 42 years straight giving it a handy but sustainable dividend yield of almost 4%.

Second cab off the rank is **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP). It may not be dividend royalty like Fortis but it has increased its distribution every year for the last five consecutive years to give it a tasty 5% yield which as 68% of funds flow from operations is certainly sustainable.

However, what makes it such a compelling investment is that its assets, chiefly energy, transportation and ports infrastructure, remain in demand regardless of the state of the economy because they are integral elements of modern commercial activity. There usage rates can only be bolstered by the significant shortage of these types of infrastructure globally.

Next up is **ATCO Ltd.** (TSX:ACO.X) the owner of regulated electric utility **Canadian Utilities Ltd.** (TSX:CU). By investing in ATCO investors are able to access Canadian Utilities defensive characteristics as well as the growth prospects offered by ATCO's non-utilities business. It is also quite attractive because it has raised its dividend for the last 21 successive years, giving it a handy 2.5% yield and despite possessing many of the characteristics of its subsidiary trades with a more attractive valuation.

Consumer staples is another solid defensive sector with essential products such as food, beverages and household items remaining in demand regardless of the financial outlook. This makes one of Canada's largest grocery retailers with over 1,500 grocery, drug, and gas stores nationally, **Empire Company Ltd.** (TSX:EMP.A) a solid defensive choice.

As a result of the constant demand for consumer staples, Empire Company has consistently delivered solid financial results with both sales and adjusted net earnings growing every year for the last five years. This has allowed Empire Company to hike its dividend every year for the last 20 consecutive years giving its dividend an impressive compound annual growth rate of almost 13% over that period.

So what?

The current uncertain economic outlook and growing market volatility makes each of these companies a handy addition to any investment portfolio. The defensive nature of their businesses coupled with strong dividend growth makes them an appealing investment during tough times. In addition to which, the very nature of their businesses virtually guarantees earnings growth when economic cycle improves.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:ACO.X (ATCO Ltd.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:EMP.A (Empire Company Limited)
6. TSX:FTS (Fortis Inc.)

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