

3 Top Defensive Stocks Poised for Growth

Description

Economic and geopolitical instability continues to fuel volatility in financial markets, magnifying fears of a [long-overdue](#) market correction. There is one way that investors can not only hedge against that risk, but also improve the long-term growth prospects of their portfolios. This is by investing in companies that own and operate critical infrastructure.

The following three Canadian companies own and operate infrastructure that is crucial to the economy, making them a core holding for every portfolio.

Now what?

First is one of the world's largest publicly listed infrastructure companies, **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

It owns and operates a globally diversified portfolio of critical infrastructure across developed and emerging markets, including electricity and natural gas transmission, roads, rail, ports, and telecommunications towers. This endows its earnings with the stability associated with developed markets and the additional growth that emerging markets offer.

More importantly, a significant proportion of those assets operate in oligopolistic markets with revenues contractually locked in over long periods. This not only allows Brookfield Infrastructure to be a price maker, but gives its earnings considerable certainty.

As a result, it has been able to boost earnings through acquisitions. The latest deal is the US\$5.2 billion purchase of a Brazilian natural gas transmission utility from deeply troubled energy company **Petróleo Brasileiro S.A.**

Along with its focus on growth through accretive acquisitions, these characteristics have allowed it to hike its dividend for the last eight years straight. It now rewards investors with a tasty 4.6% yield.

Next is **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)).

It operates Canada's largest transnational railway, which reaches as far south as the Gulf of Mexico. This makes it a key trade linkage as rail is the only means of cost effectively transporting a range of bulk goods, including timber, coal, grain, and crude.

There is no sign of this changing anytime soon.

Canadian National has an almost insurmountable economic moat that protects it from competition and helps to assure its future earnings.

Nonetheless, recent earnings have been impacted by a reduction in freight demand. This has primarily been caused by the cyclical nature of demand for commodities, meaning that it should recover over

time.

As a result of these characteristics, Canadian National has hiked its dividend for an incredible 20 years straight. It now rewards investors with a sustainable 1.70% yield.

Last is **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), one of North America's largest pipeline and midstream services providers to the energy industry.

This makes it a crucial link between Canada's energy patch and its largest export market the U.S. The importance of its operations to Canada's economy can't be understated because crude is Canada's single largest export by value; Enbridge is responsible for transporting over half of all petroleum exports.

Because a considerable amount of capital is required to enter the midstream industry in conjunction with the steep regulatory barriers, Enbridge has an extremely wide economic moat.

Along with a large proportion of its cash flows underpinned by long-term contracts, these attributes make Enbridge's earnings dependable, allowing it to fund a massive \$26 billion development program. This will support Enbridge's planned 12% compound annual growth in cash flow between now and 2019.

Unsurprisingly, Enbridge has been able to reward investors with regular dividend hikes; it has increased its dividend for an incredible 20 straight years to now yield a healthy 3.7%.

So what?

Each company is uniquely positioned to benefit from the demand for economically critical infrastructure. This helps to shield them from downturns in the economic cycle, making them solid defensive options in a volatile market. It also helps to guarantee their earnings and allows them to reward investors with steadily rising and sustainable dividends.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:ENB (Enbridge Inc.)

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