5 Top Defensive Stocks to Buy for 2017

Description

“What goes up must come down.”

Nothing holds truer for the stock markets than this adage. The **S&P/TSX’s** recent rally has made investors skittish about parking their money in stocks right now. You shouldn’t, however, lose sleep if you’re invested in fundamentally and financially strong businesses, no matter which way the market turns. If you have some proven defensive stocks in your portfolio, navigating the tumultuous times could be easier.

This is why you should consider **Fortis Inc.** (TSX:FTS)(NYSE:FTS), **Altagas Ltd.** (TSX:ALA), **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW), **CCL Industries Inc.** (TSX:CCL.B), and **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB) today. Check out how these stocks have outperformed the S&P/TSX in the past five years.

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Chart showing 5-year stock returns
**As of March 19, 2017. Chart by author.*

Fortis Inc.

As one of North America’s largest electric and gas utilities which gets almost 93% of its earnings from regulated utilities, Fortis is among the best defensive stocks to own. Now could be the perfect time to get into Fortis as it begins to unlock value from its recent multi-billion-dollar acquisition of U.S.-based ITC Holdings Corp. — a deal that should also help Fortis gain foothold in renewable energy.

Fortis pays a dividend, which can come handy in uncertain times. Fortis has increased its dividend for 43 consecutive years and aims to increase it at a 6% annual average clip through 2021. At a meager seven times price-to-cash flow (P/CF) and a dividend yield of 3.7%, Fortis is a solid defensive stock to buy today.

Altagas Ltd.

Altagas may not come across as defensive given its energy infrastructure business, but it primarily operates power and gas utilities — a business that’s largely immune to economic cycles — and processes and sells natural gas. Altagas is in an aggressive growth phase right now as it prepares to acquire **WGL Holdings Inc.** (NYSE:WGL), a utility serving more than one million customers in Washington D.C., in a deal worth $8.4 billion.

Post-acquisition, Altagas is targeting 20% growth in funds from operations per share in the first year of the acquisition and 15-20% through 2021. Altagas also expects to grow its dividend 8-10% annually through 2021. With the stock trading under 11 times P/CF and yielding 6.8% in dividends, it’s time you add Altagas to your radar.

Silver Wheaton

My primary reason for picking Silver Wheaton is the basic premise that precious metals thrive when stock markets tumble thanks to their attraction as safe-haven investments.

Silver Wheaton is less risky than pure mining stocks as it doesn't own mines; it buys metal streams from miners at discounts in exchange for funding them up front. Today, Silver Wheaton enjoys best-in-class margins as its average per-ounce purchase cost for silver and gold is only about US$4 and US$400, respectively. The streamer can make money even if gold and silver prices were to drop in half. Silver Wheaton recently increased its dividend by 20% and yields 1.2%; the stock's 25% drop in the past six months presents a great opportunity for investors.

CCL Industries

You may have never heard about CCL, but chances are, some of the products you use come with CCL's packaging or labels. CCL is the world's largest labeling company and serves several key industries, including health care, consumer, automotive, electronics, and food. CCL's growth prospects have improved tremendously after its recent acquisition of Innovia Group — a primary polymer banknote supplier to major central banks across the globe, including the U.K., Canada, and Australia. CCL now monopolizes the global polymer banknote market.

CCL's net income and free cash flows have more than tripled in the past five years, and it has raised its dividend every year since 2005. Now is a great time to consider CCL as it enters high-potential markets such as India.

BMO Low Volatility Canadian Equity ETF

Diversification and low volatility is perhaps the best combination you can find in an investment option when you're looking to stay invested for long periods. As the name suggests, BMO Low Volatility Canadian Equity ETF invests in top "less market sensitive" Canadian stocks based on beta. Its current holdings have large exposure to financials, consumer staples, and utilities sectors and includes 46 stocks such as **Fairfax Financial Holdings**, **Canadian REIT**, and **Waste Connections Inc.**

Given the ETF's five-year annualized returns of 15.6% and nearly 100% cumulative returns, it's a great bet to stay afloat if the markets sink.

CATEGORY

1. Dividend Stocks
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1. NYSE:FTS (Fortis Inc.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:CCL.B (CCL Industries)
4. TSX:FTS (Fortis Inc.)
5. TSX:WPM (Wheaton Precious Metals Corp.)

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