3 Core Holdings With Massive Defensive Moats

Description

Whether you are considering adding to your portfolio or are just starting to build it, there's no shortage of options to pick from in the market today. Then you have to consider if your selected stock will diversify your portfolio sufficiently, and if your new proposed holdings are geared towards income or growth.

Fortunately, there are plenty of great options that accomplish all of that and more. Here are three great additions that could be core holdings of nearly any portfolio.

Fortis Inc. (TSX:FTS)(NYSE:FTS) is one of the largest utilities on the continent with customers across five provinces in Canada, nine states in the U.S., and in three separate countries in the Caribbean.

As impressive as that coverage is, there are plenty of other reasons to love Fortis.

First, being a utility, Fortis has a massive defensive moat in the form of regulated revenues from contracts that can span 20 years or more. There aren't a lot of new utilities popping up, and those regulated contracts help provide Fortis with a stable stream of revenue.

Where utilities typically fall short is on growth prospects, but this is another area where Fortis shines. Growth prospects for utilities are typically reliant on organic growth of the community the utility serves or through the replacement of the facility itself. In the case of Fortis, it has shown an incredible appetite to grow through acquisition, which has helped propel the company in a little over 30 years from $390 million in assets to well over $48 billion.

A final reason to consider Fortis is the dividend the company pays, which currently offers shareholders $0.40 per share each quarter, translating into a very healthy and sustainable yield of 3.64%

BCE Inc. (TSX:BCE)(NYSE:BCE) is the largest telecom in the country, offering subscription services for wired and wireless phone, internet, and TV services. While those subscription services comprise of the core of BCE's revenue, the company has an impressive portfolio of real estate, TV, and radio stations as well as professional sports teams.

Those properties form an impressive moat around BCE. That being said, there's another, more impressive moat that BCE has: infrastructure.

BCE's core subscription services are reliant on the company providing subscribers with connectivity speeds and options. Let' be honest: Canada is a huge market in terms of landmass, and providing coast-to-coast coverage for a variety of services is a mammoth undertaking. Fortunately for investors, BCE has already built the infrastructure needed.

BCE is one of just a handful of companies on the market that is part of what I refer to as the "century club." BCE has been paying dividends to shareholders for well over a century, and that's a practice that doesn't seem to be ending anytime soon. BCE's vast infrastructure allows the company to reward shareholders with a considerably larger payout ratio that is still sustainable.

BCE's current quarterly dividend amounts to $0.72, which translates into a yield of 4.71%. BCE trades for just over $60 with a P/E of 18.31.

Bank of Montreal (TSX:BMO)(NYSE:BMO) may not be the largest or most popular bank in the country, but it offers investors plenty of upside.

Bank of Montreal is another member of the century club; its impressive dividend history spans back further than Canada itself. The current quarterly dividend of $0.88 provides a yield of 3.58%, which, for some investors, may be reason enough to consider the bank.

One thing that really impresses me about Bank of Montreal is how it has expanded over the years, growing into new markets. The acquisition of the transportation finance business from **General Electric Company** a few years ago is a prime example of this. That deal resulted in Bank of Montreal becoming one of the largest lenders in the commercial trucking sector, accounting for as much as 20% of the market in Canada and the U.S.

Another great example is the acquisition of Marshall Ilsley Corporation a few years prior, which effectively doubled the bank's footprint and total deposits in the U.S. overnight.

Bank of Montreal currently trades at just over $98 with a P/E of 13.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:BMO (Bank of Montreal)
3. NYSE:FTS (Fortis Inc.)
4. TSX:BCE (BCE Inc.)

5. TSX:BMO (Bank Of Montreal)
6. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/28
Date Created
2017/04/21
Author
dafxentiou