



Dividend Investors: Ray Dalio Seeking Safety. Should You, Too?

Description

The U.S. and North Korean tension this week has reminded investors how quickly geopolitics can affect the markets and bring in an element of uncertainty to otherwise a smooth journey.

On August 10, the **CBOE Volatility Index** surged 40% higher as the U.S. allies warned North Korea against firing missiles toward Guam, a U.S.-controlled island in the Western Pacific. Gold rallied to a nine-week high in a rush to safe-haven assets.

Cautioning investors about the potential risk, the famed hedge fund manager, Ray Dalio, recommended buying gold, making the precious metal 5-10% of total assets as a hedge against current political and economic risks.

“The emerging risks appear more political than economic, which makes them especially challenging to price in,” Dalio, who runs the world’s largest hedge fund Bridgewater Associates, said in a **LinkedIn** post. “Two confrontational, nationalistic, and militaristic leaders playing chicken with each other.”

Nobody can predict how the U.S. and North Korean conflict will play out in the days and weeks to come, but this screeching halt to the record stock market rally this week reminds us that we should always balance our risks with safety and some recession-proof stocks.

Balancing risk with safety

As political risks make investors nervous, it may not be a bad time to look at gold miners again after the precious metal surged 12% this year. Gold’s rally is helped by a falling U.S. dollar and signs of tame inflation that could slow the Federal Reserve’s monetary tightening.

Investors looking for more specific exposure to gold should consider **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX), which is the world’s largest producer and a safe bet if a major conflict erupts between the U.S. and North Korea.

Barrick Gold has successfully embarked on a program to cut the company’s debt and make its production very cost efficient. In the past three weeks, the company’s stock is up 11%, but it’s still well

below the 52-week high of \$27.19 a share.

If you're thinking of adding some safety to your portfolio, then consider buying shares of Barrick Gold, which also pays a quarterly dividend.

Power and gas utilities also provide safety at a time of recession or crisis. **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is my favourite pick among the North American utilities. It's very diversified asset base with operations in Canada, the U.S., and the Caribbean. This feature makes its revenue very safe and dependable.

With \$48 billion in total assets, Fortis provide electricity and gas to 3.2 million customers. Since 2006, the dividend payment has grown 128%, while the payout ratio remains manageable at 66%.

With a history of 43 years of consecutive hikes in the dividend payment, Fortis stock should continue cranking out cash, as it's unlikely that people will stop paying their utility bills in an event of economic downturn triggered by a war. The stock currently yields 3.48%.

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