



3 Dividend Aristocrats to Hedge Against Market Uncertainty

Description

Growing nervousness among investors is causing financial markets to gyrate wildly. It was just over two months ago when the **S&P/TSX Composite Index** hit a record high, only to be followed by a sharp correction that wiped over 1,000 points off the index. Since then the S&P/TSX Composite has recovered moderately, but there is still considerable apprehension surrounding stocks as fears of [another correction](#) grow.

While the nine-year-old bull market may continue for some time yet, what is becoming abundantly clear is that prudent investors should be hedging against the growing uncertainty surrounding financial markets. One of the easiest ways to do this is by bolstering their exposure to defensive dividend-paying stocks with long histories of regular dividend hikes and wide economic moats.

Now what?

The first choice is electric utility **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)), which has hiked its dividend for the last 44 years, giving it a tasty yield of just under 4%.

What makes it a great defensive stock is that 97% of its assets are regulated utilities, which means its earnings are from regulated or contracted sources that are adjusted for inflation. That means they are virtually guaranteed. The dependability of Fortis's earnings is enhanced by its wide economic moat, which, because of the electric utility industry's significant regulation and steep barriers to entry, protects it from competition.

Moreover, electricity is a vital part of our modern lives and a key component of economic activity, meaning that its demand is virtually unchanging, even during economic downturns, further protecting Fortis's earnings. The strength of its operations coupled with recent acquisitions saw Fortis report 2017 net earnings that were an impressive 65% higher than a year earlier.

Next is global infrastructure company **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)), which has increased its annual distribution for the last 10 years, giving it a juicy 4% yield. The partnership owns and operates a portfolio of vital infrastructure assets, including utilities, railroads, telecommunications towers, toll roads, and ports.

In many cases, Brookfield Infrastructure operates in oligopolistic markets, where it can be a price maker rather than a price taker. This, along with its wide economic moat and the fact that 95% of its earnings come from inflation-linked contracted or regulated sources, virtually ensures that Brookfield Infrastructure's earnings will continue to grow.

Those attributes also make it highly resilient to economic downturns as well as helping to protect it from market crashes.

Brookfield Infrastructure has a long history of making accretive acquisitions and recycling capital, which has seen funds flow from operations, or FFO, grow at a remarkable compound annual growth rate of 21%. That solid growth will support further distribution hikes.

Finally, there is **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)), which has a long history of delivering value for shareholders, having boosted its dividend for the last 22 years.

Like the previous two stocks, it has a wide economic moat that protects its earnings, and because of growing [consumption of commodities](#), demand for its freight services will continue to grow. This is because Canadian National operates the only North American transcontinental rail network, making it an integral provider of transportation services in an operating environment where rail is the only means of safely and efficiently transporting bulk cargo such as grain, coal, and metals.

So what?

All three stocks are highly resistant to economic downturns and are a credible means of weather proofing any portfolio against the risk of an economic meltdown or market correction. They all have a long history of rewarding patient investors with steadily growing dividends, making them an appealing means of riding out any slump.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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