Your Portfolio Needs This Defensive Superstar

Description

To assume that the current bull market will eventually end is something that not a lot of investors want to talk about, but in reality, it is something that everyone should be considering, especially in the context of re-balancing your portfolio.

The signs are everywhere: there's the cooling down of the super-hot real estate market in Toronto and Vancouver, the unknown outcome from on-and-off-again NAFTA negotiations, the price of oil constantly creeping up, and the gradual increase in interest rates, which, coincidentally, is beginning to look more likely to occur next month after the Bank of Canada opted yesterday to keep the rates at the same level.

So, what does this mean for your portfolio? Whether it's some re-balancing, profit-taking, or merely swapping out investments for others, a seasonal check-up is never a bad idea.

You need a defensive rock

One of the things that every portfolio could benefit from is a strong (and healthy) defensive stock. These typically come in the form of utility or telecom investments, and the one that I turn back to with frequency is **BCE Inc.** (TSX:BCE)(NYSE:BCE).

There's plenty to love about BCE.

It's safe to say that you can't go through a typical day without touching at least one of BCE's assets. The company has a sizable empire of holdings that extends far beyond the typical telecom services of wired, wireless, TV, and internet to also include a host of media TV and radio stations and professional sports teams.

Even more impressive is that BCE isn't sitting on its laurels either. This week BCE announced the acquisition of Axia NetMedia, which is the operator of the Alberta-based broadband network that connects provincial and municipal offices around the province, commonly known as SuperNet.

The deal also includes vast network assets in the province and creates further opportunities for the company to expand its business, data, and security offerings in the province.

BCE's impressive network blankets the country in a nearly impenetrable moat. The potential for a new competitor to arise and counter BCE is effectively nil thanks to the massive size and cost it would take to build a competing network, and the chance of a foreign player entering the market is even slimmer thanks to Canada's strict foreign ownership laws.

The only thing better than an incredible moat is a steady stream of recurring revenue, and BCE's subscribers continue to provide handsome returns for investors.

While the "cut-the-cord" movement continues to have its fans, particularly with TV and wired phone services, the wireless segment and the data that BCE allocates to its subscribers continues to grow with nearly unlimited potential. That's why one of BCE's competitors is rushing to build its own wireless network.

Consider this for a moment: how often do you use your smartphone and for how many different tasks? I recently made a list and found out that my smartphone has eliminated nearly 100 different devices, plug-ins, and general things I used to carry around. Each of those "things" has its own app and uses its own allotment of data, which I happily pay for each month.

Even if the market does cool considerably, that growing trend is unlikely to change from its current course.

Silence the critics and buy BCE

Critics of BCE often point to the company's debt, which, given the steady rise in interest rates, could potentially cut into profits and perhaps result in a dividend cut. While this is a valid concern, uneasy investors only need to look back at BCE's payout history, which spans well over a century without fail.

The current quarterly dividend amounts to a very impressive 5.74% yield, which should satisfy nearly every income-seeking investor.

In my opinion, BCE remains a great choice for investors looking to diversify their portfolios with a stock that offers a great dividend and long-term growth.

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