Add This Dividend Aristocrat to Protect Against a Market Crash

Description

The current market downturn has presented investors with great opportunities. Given the rise in interest rates, the utilities industry has been particularly vulnerable. Year to date, the TSX Industry Index has lost 9% of its value and is a big reason why the TSX is down 2% over the same time frame.

That being said, when markets turn red, the utility industry tends to outperform as utilities are considered a safe haven for investors. Case in point, over the past month the TSX has dropped almost 4%, while the TSX Utility Industry Index has "only" lost 2.5%.

One of the best-performing stocks in the industry is **Fortis** (TSX:FTS)(NYSE:FTS), and it's a perfect stock to protect your portfolio against a market crash.

Industry outperformance

Fortis has outperformed its fellow Canadian utility majors **Canadian Utilities**, **Atco**, and **Emera** by a significant margin. Year to date, it is the only one not to post double-digit losses, outperforming its closest competitor by a two-to-one margin. It has also eclipsed their returns over the past one-, two-, and five-year time frames.

Whereas the industry has struggled with maintaining a consistent level of revenues, Fortis has excelled. It is the only one that has posted five consecutive years of revenue growth. This is due in large part thanks to its ability to make key strategic acquisitions in the space.

Growth expectations

One of the best ways to mitigate the negative impact of interest rates is to pick up companies that are growing. As mentioned, Fortis is the only one to have displayed continuous sales growth. Over the next few years, Fortis is expected to post organic sales and earnings growth of approximately 6% annually. Although this may not seem great, it is better than mixed growth expected from some its competitors.

The best part about its organic growth strategy is that it is a highly executable and low-risk capital plan. As such, the company will have plenty of cash to distribute to shareholders. This brings us to the dividend.

Dividend growth

Fortis is a Canadian Dividend Aristocrat, having raised dividends for 44 consecutive years. This is the second-longest active streak in Canada. This utility major is as reliable a dividend payer as it gets. Over the past five years, it has grown dividends by an average of 6% annually. As of writing, the company currently yields 4.09% and has a low payout ratio of 64% of earnings.

The company has guided to 6% dividend growth through 2022. Who doesn't like that kind of consistency over the long term? Income investors can take comfort knowing dividend growth will outpace inflation over the next four years. This is key to a company's performance in a rising interest rate environment.

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1. Dividend Stocks
2. Investing

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mlitalien