



This 3-Stock Defensive Portfolio Will Counter Volatility

Description

Market volatility is something that long-term investors need to learn how to cope with, and over the course of the past month, the market has shown us just how volatile it can be, leading many investors to question whether the longest bull market in history could finally be drawing to a close.

Here are some defensive stock picks that will not only weather any downturn, but will also provide a [growing source of income](#) for years to come.

The bank with a century of dividends and an even stronger future

It's hard to put together a list of defensive stocks with a solid income history without mentioning at least one of Canada's Big Banks. In the case of **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), the bank has been paying out a handsome dividend to shareholders for well over a century. The current quarterly dividend amounts to a solid 3.73% yield.

Surprisingly, Bank of Montreal has flown under the radar when compared to its peers in recent years, and the bank's subtle and less volatile position on the market is an interesting shift over its peers, who have spent heavily in recent years on acquiring a large expansion network outside of Canada.

That's not to say that Bank of Montreal hasn't seen any growth or isn't already invested in the U.S. market, because it has. BMO Harris, as Bank of Montreal is known in the U.S. market, has a growing presence in the Midwest region around Chicago. In fact, Bank of Montreal's 2011 acquisition of Milwaukee-based Marshall & Ilsley in 2011 doubled the bank's deposits and branches in the U.S.

As interest rates continue to rise, expect Bank of Montreal's profits to follow suit. Equally intriguing is the bank's growing interest in smart banks — branches with wi-fi access do not require debit cards and have employees ready to help with laptops or tablets.

The bank currently trades at just over \$98 with a P/E of 13.27.

The utility with 40+ years of growing income

As a utility, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) benefits from having one of the most stable business models on the market. Regulated contracts, known as Power Purchase Agreements (PPA) stipulate the compensation rate and amount of the utility that will be provided. The contracts can span several decades in duration, which results in a secure and recurring stream of income.

Thanks to a series of masterstroke acquisition deals over the course of the past few years that has resulted in Fortis becoming one of the largest utilities on the continent, Fortis breaks the mold when compared to its peers

In terms of a dividend, Fortis offers an impressive 4.24% yield, but what really makes Fortis shine is the fact that the company has raised its dividend consecutively on an annual basis for more than four decades.

Fortis currently trades just over \$43 with a P/E of 18.70.

The telecom that blankets the entire country

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) is not just Canada's largest utility, but is also one of just a handful of stocks on the market today that has been paying out dividends for well over a century. The current quarterly dividend amounts to a lucrative 5.69% yield that has seen incremental and steady growth over the years.

One of the [often-cited concerns](#) related to investing in utilities comes in the form of debt levels. Specifically, utilities carry huge amounts of debt that in an environment of rising interest rates could ultimately give way to dividend cuts.

In the case of BCE, this is not a major concern for investors, as the company is not only well capitalized, but is also well-diversified, thanks to the company's massive media arm that includes ownership of several prominent TV and radio stations as well as an interest in professional sports teams.

BCE also entered the lucrative market of home monitoring and security systems through its AlarmForce acquisition, which not only provides yet another revenue stream for the company, but also provides cross-merchandising opportunities.

BCE trades below \$40 with a P/E of 17.09.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

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

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