If You Like Dividends, You'll Love These 2 Stocks

Description

When the market waters get rough, the only thing you can really rely on are the dividend payments of quality companies with resilient enough operating cash flow streams.

We're in the late stages of a market cycle, and although many pessimists believe we're already in the first innings of what could be a steep global recession, there are defensive dividend stocks out there that are still worthy of holding in downturns. Such stocks will enrich you with cold, hard cash, something that's more valuable in a bear market when "paper" capital gains come and go alongside choppy market moves.

Here are two quality dividend payers that I think investors should scoop up if you desire quarterly payouts or a higher degree of downside protection.

Fortis (TSX:FTS)(NYSE:FTS)

Feeling bruised by the recent bout of volatility? Overexposed to cyclical stocks that are overly sensitive to the state of the economy? Fortis is the cure for your portfolio, as its operating cash flow stream is robust enough to survive the harshest economic downturns.

Since Fortis's operations are highly regulated, there's virtually no room for uncertainties with regards to future cash flows. People need to keep the lights on, so the Fortis show will continue, even if President Trump switches the lights off on the bull market.

It's Fortis's below-average dependence on macroeconomic factors which makes the low-volatility dividend stock a must-own under any circumstance. While Fortis stock will still get pummeled in a market crash, the damage will be much less severe than almost any other stock out there, and as you wait for the economy to recover, you'll continue to get paid dividends to go with a 6% raise every single year, as promised by management.

The 4% yield isn't astronomical by any means, but given the stability of the dividend, the lower-than-average payout ratio, and the impressive magnitude of growth you're getting from the utility, I'd say the dividend is as close to risk-free as you're going to get without actually having to invest in a risk-free debt security.

Fortis is probably the best insurance policy for your portfolio — even more so than non-productive "portfolio insurance" assets like gold.

Canadian Apartment Properties REIT (TSX:CAR.UN)

CAPREIT, like Fortis, has a modest but tremendously robust distribution. At the time of writing, the distribution yields 2.97%, which isn't at all impressive for a REIT, which is required to pay out 90% of net income in the form of a distribution.

But like Fortis, it's not about the size of the yield. It's about the quality and growth potential of the dividend or distribution behind the yield.

Over the past five years, CAPREIT has more than doubled, which is remarkable given REITs aren't typically known for capital gains that are comparable with growth stocks.

You see, CAPREIT is in the right place, at the right time, and that's allowed the trust to take advantage of what I believe is a generational opportunity brought forth by supply/demand imbalances in specific regional markets. It's these imbalances that will likely allow CAPREIT to deliver market-beating returns over the next several years, regardless of what happens in the macro environment.

Unit turnover rates are expected to drop, and as the trusts erects new properties in the Vancouver and Toronto housing markets (two rental markets in a state of emergency whereby demand profoundly outweighs supply), CAPREIT shareholders are going to laugh their way to the bank, even as the broader markets fall into bear territory.

Stay hungry. Stay Foolish.

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