3 Top TSX Index Stocks to Buy Now for Defensive Dividends

Description

What do fruit and vegetable drinks, gold, and utilities have in common? On the face of it, not very much; however, all three industries offer Canadian investors some passive income in largely defensive industries. Representing these industries are the following three TSX index luminaries; their stats are discussed here for the prospective buyer.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis had a one-year past earnings contraction by 4.4%, while Canadian electric utilities saw growth of 4.1% over the same 12 months. A five-year average past earnings growth of 24.7% shows that Fortis is generally positive in terms of earnings, with 5.6% expected annual growth in over the next one to three years backing this up and putting the company back on track. Though that's not a significant rise in earnings, it's good to see Fortis staying in the black for the foreseeable future.

Fortis isn't too badly valued for a big-name utilities stock, with a P/E of 20.2 and P/B of 1.4. While the level of debt is rather high at 130.1% of net worth, which may put off those investors with little appetite for risk, a dividend yield of 3.88% marks out Fortis stock as among the best of the TSX index energy tickers. This remains one of the most defensive stocks on the biggest Canadian stock market.

Barrick Gold (TSX:ABX)(NYSE:GOLD)

One of the best Canadian precious metals stocks, Barrick Gold, unfortunately saw its one-year past earnings shrink by 130.4%, underperforming the Canadian metals and mining industry, which itself enjoyed an average earnings growth of 29.1%. This looks set to change, however, with a 40.8% expected annual growth in earnings on the way over the next one to three years.

To continue with the positives, a steady stream of inside buying over the last 12 months shows that insider confidence is high; this, combined with a falling share price, acceptable P/B of 1.5, and a dividend yield of 1.36%, makes Barrick Gold stock a tempting buy at the moment. All told, adding Barrick Gold to a dividend portfolio could be a moderately strong defensive move.

Lassonde Industries (TSX:LAS.A)

A 17.6% growth in earnings over the past 12 months beat the 1.4% Canadian food industry average for the same year, while staying in line with its own five-year average of 16.5%. A classic food and beverages stock, Lassonde Industries has a bit of expected growth to go with that decent track record, and a dividend yield of 1.59% to keep investors interested.

With a P/E of 16.2 may be only a little over the average, a P/B of 2.2 is a little high, however — though it pales in comparison with other sectors of the TSX index. A 7% expected annual growth in earnings over the next couple of years shows that Lassonde Industries can keep its head above the water.

The bottom line

The question of whether to hold Fortis or one of its direct competitors is an ongoing conundrum that faces TSX index investors looking for defensive dividends from a Canadian utilities stock. Fortis holds up well against the other two stocks on the list here in terms of value and passive income, though Barrick Gold's earnings growth outlook is suitably cheerful for a metals and mining stock.

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