3 of the Best Dividend Stocks to Reduce Risk in a Portfolio

Description

Energy, materials, and financials are arguably the big three defensive sectors on the TSX index when it comes to investing in stocks for passive income. Below are three stocks that represent a combination of good value for money and decent dividends from these three sturdy sectors, incorporating a Bay Street banker, an energy super-stock, and a bargain gold miner.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

One of the hottest of the Big Six to snap up for a TFSA, RRSP, or any personal investment portfolio of which stocks form a significant part, Scotiabank is a good, workable example of what a defensive play on the TSX index looks like. A dividend yield of 4.56% is on offer, with a 6.4% expected annual rise in earnings providing some growth.

Up 0.19% in the last five days and with a one-year past earnings growth of 6.2% that narrowly beats its five-year average of 5.5%, Scotiabank is a stable stock with a clean balance sheet characterized by an allowable proportion of non-loan assets. A decent spread of inside buying over the past 12 months, including during the last three months, joins a decent valuation (indicated by a P/E of 10.8 times earnings and P/B of 1.5 times book) to make for a strong, defensive pick.

Enbridge (TSX:ENB)(NYSE:ENB)

This behemoth of the big-name TSX index energy stocks, Enbridge pays a dividend yield of 6.11% and is looking forward to a 21.6% expected annual growth in earnings. Down 4.47% in the last five days, it's a little uneven on market variables, with a high P/E of 49.8 times earnings, but a near-market-weight P/B of 1.6 times book.

With five-year average past earnings growth of 31.2% outperforming its one-year total as well as the Canadian oil and gas industry average, Enbridge has seen more inside buys than sells in the last three months. Based on its market share alone in one of the most secure industries to be represented on the TSX index, Enbridge is a solid buy for uncertain times.

Lundin Mining (TSX:LUN)

While being below the bottom 25% of Canadian dividend payers, a yield of 1.96% is rare in the metals and mining sector and makes Lundin Mining possibly the best choice for a dividend stock in its sector. Taken in combination with a significant 25.5% expected annual growth in earnings, this precious metals miner is an appealing pick for the TSX index portion of an investment portfolio.

Down 2.8% in the last five days, it's nicely valued with a P/E of 10.9 times earnings and P/B of 0.9 times book that both beat the market. It's had a good run of things in the last half decade, with a five-year average past earnings growth of 20.1%. Meanwhile, it has a decent balance sheet, too, with just 10.3% of debt relative to net worth.

The bottom line

Reducing the risk in your portfolio is key at the moment, with increasing uncertainty in the markets. While there are certainly dividends to be reaped outside of the main three defensive sectors of the TSX index, moving into strong positions with defensive stocks might be a good way to excise unwarranted risk without giving in to bearishness.

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