



3 Smart Picks for Defensive Investors

Description

There's never really a bad time to consider diversifying your portfolio, particularly when it comes to selecting defensive investments. With interest rate hikes on hold for the moment and increasing signs across the market that the economy is beginning to cool, augmenting your current investment mix with a defensive holding such as a utility is not only a smart choice for weathering a short-term decline but a utility can provide decades of buy-and-forget growth and income or investors.

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is not only one of the largest utilities on the continent, but is also one of the most stable income-producing investments on the market. The St. John's-based utility has been rewarding shareholders with a handsome quarterly dividend for decades, and the company has not only provided annual hikes to that dividend on a consecutive basis stemming back over four decades, but has planned to continue doing so over the next few years with an average growth rate of 6%.

For some investors, that 3.69% yield and impressive payout history may be convincing enough, but Fortis does offer investors a few additional advantages, such as its massive footprint that extends outside Canada into the U.S. as well as into the Caribbean, with well over half of the company's revenue stemming from its growing position in the U.S. market.

In terms of results, Fortis last announced quarterly results last month, which showed the continued strength of the utility. Net earnings attributable to shareholders topped \$261 million, or \$0.61 per common share, nearly doubling the \$134 million, or \$0.32 per common share reported in the same period last year. While some of that impressive gain can be attributed to changes to tax laws within the U.S. market, Fortis remains a strong pick for long-term income-seeking investors.

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is another interesting pick that is worthy of consideration, particularly for [buy-and-forget](#) seeking investors. Oakville-based Algonquin is another utility that has amassed a sizable portfolio of assets that caters to over 750,000 customers in the U.S. market under two subsidiaries, with one providing gas, electric and water utility service, while the other focusing on power generation.

Apart from that unique setup, worth noting is that Algonquin's power generating facilities are

renewable, with solar, wind, thermal and hydroelectric elements spread across its 35 facility portfolio. This factor alone places the company in an advantageous position over its fossil-fuel burning peers that will need to adapt in the coming years to renewable energy options in order to meet both the growing demand from consumers.

Algonquin currently offers investors a quarterly dividend with a respectable 4.50% yield, and the company has also provided healthy annual hikes to the dividend going back a decade, effectively doubling the payout in that period. Looking toward the future, Algonquin is forecasting annual dividend growth to come in near 6% over the course of the next several years.

Now that I've mentioned renewable energy, I would be remiss if I didn't pay homage to another interesting pick that comes in the form of **TransAlta Renewables** ([TSX:RNW](#)). Like Algonquin, TransAlta has a diversified portfolio of renewable energy facilities, and like its fossil-fuel burning peers, those facilities are subject to long-term power-purchase agreements (PPAs) that effectively provide a steady stream of recurring, stable revenue for the company for the duration of the PPA, which can be more than two decades in length.

In terms of results, TransAlta announced \$93 million, or \$0.35 per share in net earnings in the most recent quarter, and forecasts for fiscal 2019 show EBITDA falling between \$425 million to \$455 million.

Finally, let's mention TransAlta's dividend. The company provides a monthly dividend with an incredible 7.10% yield, which is not only stable thanks to those PPAs I mentioned earlier, but is also one of the [best yields on the market](#).

CATEGORY

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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)
5. TSX:RNW (TransAlta Renewables)

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