3 Top Stocks Yielding +4% for a Defensive Income-Growth Portfolio

Description

Rising uncertainty is fueling market jitters, and this combined with a range of geopolitical as well as economic threats is fueling fears that a market correction could occur in coming months. While this has seen investors shift their capital into more defensive assets, such as gold, bonds, and cash, it typically pays to remain invested in the market, even if a correction occurs. This becomes clear when it is considered that the **S&P/TSX Composite Index** has gained around 76% over the last 10 years, even after allowing for a range of corrections during that period.

When determining which stocks to hold, it is always important to consider their economic moat, financial strength, and long-term growth prospects. Here are three stocks that possess wide economic moats, solid defensive characteristics, strong growth potential, and long histories of paying sustainable regularly growing dividends.

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is one of the world's largest publicly listed, diversified infrastructure players. It has a long history of unlocking value and currently pays a sustainable quarterly distribution yielding almost 5%. The partnership's assets span ports, railroads, toll roads, data centres, and energy utilities that are crucial to modern economic activity.

Brookfield Infrastructure's assets are located across a broad range of developed and emerging markets, giving them a degree of stability coupled with the potential for significant growth that exists in developing nations. It operates in oligopolistic markets, meaning that it can act as a price maker rather than as a price taker, further enhancing its economic moat and earnings growth.

Those characteristics also provide Brookfield Infrastructure with the ability to meet its targeted long-term return of 12-15% along with the projected 5-9% increase in its annual distribution.

Enbridge (TSX:ENB)(NYSE:ENB) is a leading provider of energy infrastructure to North America's energy patch and pays a regular quarterly dividend yielding a very juicy 6%. In December 2018, after a solid full-year performance, the company hiked its dividend by an impressive 10%. While Enbridge has been attracting considerable attention from short-sellers, which sees it the sixth most shorted stock on the TSX, many of the issues driving its thesis appear significantly overblown.

The midstream services provider has a wide almost insurmountable economic moat. This — along with the contracted nature of its operations, the relatively inelastic demand for oil, as well as natural gas and growing demand for the utilization of its pipeline network — protects its earnings. Enbridge's pipeline and storage infrastructure provides a crucial link between Canada's energy patch and U.S. refining markets, making it a key dependency for domestic upstream oil producers.

Those attributes also secure Enbridge's earnings growth. As oil and natural gas production in Canada swells, along with the company expanding its pipeline network, the volumes of oil and natural gas transported will rise at a solid clip, boosting earnings. This will support dividend sustainability and additional hikes as well as provide capital to further reduce debt.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS), known as Scotiabank, pays a regular quarterly dividend yielding almost 5%. The bank, which is Canada's third-largest lender, is also the most international of the major financial institutions having invested heavily in expanding its operations in Latin America, notably the nations of Mexico, Colombia, Chile, and Peru.

As a major bank, Scotiabank forms a pivotal part of Canada's economy. When this is combined with the industry's steep barriers to entry, significant capital requirements, and considerable regulatory restrictions, the bank is protected from competition, safeguarding its earnings as well as bolstering its growth prospects.

That growth potential is boosted by Scotiabank's considerable operations in Latin America. The region is heavily underbanked and possesses a rapidly growing population, creating considerable organic growth opportunities. The gross domestic product of Colombia, Chile, and Peru are all forecast to expand by over 3% during 2019 as well as 2020, boosting Scotiabank's growth opportunities.

What does it mean for investors?

The combination of growth, defensive characteristics, and tasty sustainable dividend yields makes these stocks very attractive long-term investments and ideal candidates for TFSA investors. Not only can they effectively weather a market downturn, but they will also reward investors with solid growth.

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TICKERS GLOBAL

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:ENB (Enbridge Inc.)

4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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