2 Powerfully Defensive Dividend Stocks for the Careful Investor

Description

While there is more to the crash and burn of oil stocks over the past week than the recent flare up of U.S.-China trade tensions, the fact remains that uncertainty is stomping around in the markets like a toddler intent on ruining everyone else's fun. CNN's Fear and Greed Index is currently poised at "fear" — a fairly good barometre of investor sentiment south of the border — while the **TSX Composite Index** is down 0.42% in the last five days.

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Should investors batten down the hatches and hide in classically defensive utilities stocks — just without the oil? It seems a prudent idea, and with so many options beyond oil-weighted tickers, let's take a look at two "clean" energy stocks known for their protective qualities.

Fortis

You can't fault the track record for this ultra-defensive dividend stock: though **Fortis's** (TSX:FTS)(NYSE:FTS) one-year past earnings-growth rate of 9.7% is perhaps not significantly high in the grand scheme of things, it represents solid growth in a highly competitive field, while an overall five-year average earnings-growth rate of 23.6% qualifies as moderately high growth.

One of the best metrics a highly cautious investor can make use of when calculating stocks to shelter them from shifts in the market is the beta. While a 36-month beta is often used, a five-year beta can give a clearer snapshot of long-term market performance. Relative to the TSX index as a whole, Fortis has an exceptionally low five-year beta of 0.07, indicating a stock well-insulated against market vagaries.

Value investors may find themselves on the fence here, however, with some wildly different indicators in the data. For example, Fortis has a price-to-book of 1.5, which is only a shade above market-weight. At a glance, this would make it seem that Fortis is excellent value for money. Looking at its value in terms of earnings, a P/E of 19.9 times earnings likewise looks acceptable.

However, the growth-focused investor may turn their nose up at a price-to-growth multiple of 4.4, which indicates that Fortis is not quite the steal it appears when it comes to growth; meanwhile, at $50.68 a pop, its share price is around five times the future cash flow value. In other words, while the passive-income investor may well find that the above adds up to decent value for money, a capital gains investor may conclude that there is little upside to be gleaned here.

Algonquin Power & Utilities

Up 0.64% in the last five days and still gently climbing, this popular stock is in favour with passive-income investors looking to get defensive with their dividend-growth portfolios. A leading green and clean energy stock, **Algonquin Power & Utilities's** (TSX:AQN)(NYSE:AQN) returns of 22.7% over the past year beat the Canadian alternative energy average of 7.3% by a decent margin.

With a price-to-earnings ratio of 27 and P/B of 1.9 times book, Algonquin Power & Utilities is still fairly good value for money; indeed, with a one-year past earnings growth of +600% and estimated 17.5% annual growth in earnings over the next three years, this could be the best value investors are likely to see here.

The bottom line

For strength and security, Fortis is a buy at almost any valuation: its outperforming returns of 20.9%, tasty yield of 3.54%, and expected 4.5% annual growth in earnings all underline this in no uncertain terms. Meanwhile, stacking shares in Algonquin Power & Utilities can round out the energy section of a passive-income portfolio, bringing in a handsome dividend yield of 4.81%, while adding exposure to the green power sector.

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