Is This the Safest Dividend Stock on the TSX?

Description

When it comes to defensive sectors, a few always make the top five: Consumer staples, apartment REITs, utilities, health care, and banks. Of these, it's arguable that the most stable would be the utilities sector, given its necessity to keep the lights on and thus support all of the other classically defensive industries.

After all, how useful would a hospital be without electricity, an apartment block without heating, or a bank that can't access your savings?

A sturdy stock to buy and hold for years

Last week, one of the safest utilities stocks just got even safer. Indeed, one could say that history has just been made: In a first for Canada, and against a backdrop of high volatility in the energy sector, **Fortis** (TSX:FTS)(NYSE:FTS) will be supplying China with liquefied natural gas (LNG) long-term.

The contract represents a new phase in energy agreements: Set to run for two years, the agreement makes a break from the spot supplies Fortis has been shipping to China since 2017.

The agreement between **FortisBC** and **Top Speed Energy**, situated in China, will see the company's British Columbia facility in Tilbury shipping 53,000 metric tons of LNG between now and 2021.

The move is an extremely positive one given the political situation between the two countries, and comes amid tensions in the Middle East and the ongoing Sino-American trade war. Indeed, agreements such as these transcend geopolitical tensions, bringing value to stakeholders on every level.

Low on international trade, low on risk

Where Fortis has the edge for a dividend investor seeking safety is its advantage over trade-dependent competitors. Whereas many oil producers, for instance, rely on trade for their income, Fortis operates via subsidiaries position within non-Canadian territories.

This minimizes the risk to a portfolio from trade disputes and the vagaries of currency differentials, while still offering access to foreign markets.

With its Q2 on the way imminently (investors can expect an earnings update August 2), and its buy limit due September 1, Fortis is a strong buy for utility investors waiting for the dip that usually occurs around these events.

While straddling 10 sturdy operations covering U.S. electric and gas assets, regulated Canadian and Caribbean energy infrastructure, and hydroelectric generation, Fortis lives up to its name.

Planning to grow its payout by 6% each year until 2022, Fortis derives much of its revenue from the U.S. Indeed, 60% of its assets are to be found in America, making the utilities company not that dissimilar from some of our top bankers.

The upshot is that Fortis stock allows Canadian investors to invest in American energy infrastructure via a domestic company, and earn a growing dividend while doing so.

The bottom line

With a stable and growing dividend, defensive economic moat, and key position in a downturn-ready industry, Fortis would be a strategic addition to a passive income portfolio.

Its suitability for a tax-free savings account (TFSA) or registered retirement savings plan (RRSP) cannot be understated, with Fortis being among the hardcore of Canadian stocks to buy and hold for the long term.

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