



2 Dividend Stocks That Have Your TFSA's Back in a Bear Market

Description

Defensive dividend payers like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Brookfield Renewable Partners** ([TSX:BEP.UN](#)) are precisely the type of investments that would make one [fearless](#) in the face of a [bear market](#), recession, or even (goodness forbid) a depression.

Not only are both securities lowly correlated to the broader markets, but their cash flows are also highly predictable, paving the way for consistent dividend payments and periodic dividend hikes through the best and worst of times.

Whether we're talking about regulated transmission lines in the case of Fortis or in-demand renewable energy projects in the case of Brookfield Renewables, both companies can offer your TFSA a magnitude of stability that few other securities can match. And come the next down market, whenever this may be, shares of FTS and BEP.UN will hold their own a heck of a lot better than most other stocks that'll be quickly set aside in favour of "risk-free" assets like cash and bonds.

So, if you're looking to form a foundation for your portfolio to better weather the next storm (which is supposedly in the forecast), you may want to double down on shares of both Fortis and Brookfield Renewable, even though both names are at or near their all-time highs.

Bonds possess yields that are too low to justify, so even though most pundits using that "r" word almost every time you tune into your favourite financial TV show, the rally in defensive names of the calibre of Fortis and Brookfield Renewable is more than justified.

But which, if any, will offer you the better bang for your buck at today's levels?

Fortis trades at 19.8 times next year's expected earnings, and 11.23 times EV/EBITDA, both of which are slightly lower than their five-year historical average multiples of 20.3 and 12.2, respectively. The stock sports a 0.24 five-year beta (that's very lowly correlated to the indices), a 3.5% yield, and a "promise" of 5-6% in annualized dividend hikes.

Fortis is a relatively "growthy" regulated utility that all other utilities strive to be. With a robust U.S. foundation and a competent management team, the stock remains a compelling bargain, despite being

off just 4% from its all-time high.

Brookfield Renewable Partners is arguably the strongest renewable energy stock on the TSX index with over 100 years of experience in owning, operating, and developing hydroelectric facilities. The company is a nice blend of hydro, wind, and solar facilities, and with a name like Brookfield, you can be sure you're getting a management team that knows how to drive ROEs for shareholders.

At the time of writing, the stock is at all-time highs, yet shares still appear dirt cheap based on traditional valuation metrics. Shares trade at 8.75 times EV/EBITDA, which is considerably lower than its five-year historical average of 10.4.

Given the capabilities of management, I wouldn't hesitate to recommend the stock at a slight premium, but right now, I don't think such a premium exists, despite the tremendous run in the stock over the past year. The 5% yield is also more attractive for income-oriented investors.

Foolish takeaway

Both Fortis and Brookfield Renewables offer any TFSA a one-two punch of defensive dividend growth. Shares of both firms have a low beta and are not as expensive as their stock charts suggest. So, if you're looking for higher income, I wouldn't hesitate to pick up shares of Brookfield Renewables, and if you desire less volatility, Fortis is your horse.

Personally, I think Fortis offers the better bang for your buck after its mild pullback, which may be very short-lived.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2019/10/25

Author

joefrenette

default watermark

default watermark