Should Defensive Investors Buy ATCO (TSX:ACO.X) or Fortis (TSX:FTS) Stock?

Description

The Canadian energy sector has been in a bit of a funk of late, and that's putting it mildly. The drain of funds from Canadian energy companies was never more evident than in the **S&P/TSX Composite Index** dropping eight power producers from its ranks last month. With a number of market caps no longer making the cut, the rejigged TSX Index illustrates just how much of a drain the ongoing pipeline debacle is weighing on the sector.

However, the possibility of a drawdown in U.S. oil output could see demand for homegrown fuel sources rocket. While this could mean that shareholders in companies standing ready to drain the oil patch could eventually find themselves sitting on an oilfield of wealth, low-risk energy investors may be looking for a more assured route to riches in the meantime.

Two TSX stocks that tick all the boxes

Energy investors looking to stay exposed but sidestep the damp squib of oil investment may want to stick to low-risk utilities stocks. As a way to lower risk in a portfolio built around passive income, both **Fortis** (TSX:FTS)(NYSE:FTS) and **ATCO** (TSX:ACO.X) are solid investments, but which company represents the best play for a low-maintenance, buy-and-hold strategy?

Fortis is the quintessential stock for buy-and-hold investors looking for a defensive play that marries the promise of capital gains with a Dividend Aristocrat. Its business is geared towards alignment with the global trend in green energy and its distribution has an impressive pedigree that blends growth and reliability. Currently paying a dividend yield of 3.54%, its dependable income is drawn from almost entirely regulated assets.

Fortis is a smart play for investors looking for exposure to the recession-proof electricity industry. As owner and operator of transmission and distribution facilities across North America, it serves over 2.5 million customers. Its footprint in the U.S. is impressive: having snapped up ITC, Fortis offers investors access to the largest independent electricity transmission company in the country.

This Fortis alternative packs diversification and dividends

ATCO is a diversified play in more than one sense. Not only does ATCO offer new energy investors a wide-spectrum play for clean power sources through its subsidiary, Canadian Utilities. It's also a solid play for infrastructure investment with construction operations as well as a pipelines segment under its belt. In terms of geographical spread, ATCO satisfies with operations in Australia, Mexico, the U.K., and North America.

Paying a 3.46% dividend yield with a solid long-term outlook that includes a voracious acquisitions strategy, improving balance sheet, and boosted cash flows, ATCO is good value for money right now for a high-quality asset. Its diversification and position in a beaten-down but essential market make it a intriguing stock for investors looking for wide profit margins mixed with tasty passive income in a defensive sector.

The bottom line

Utilities are still one of the best plays for TSX investors seeking defensive stocks that they can buy once and forget about, with both companies listed above fitting the bill. While ATCO offers a diversified play with geographical reach and the potential for growth, Fortis is a tried-and-tested dividend stud for investors looking for a reassuring track record and solid market share.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:ACO.X (ATCO Ltd.)
3. 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

4. Stocks for Beginners

Date
2025/07/19
Date Created
2019/10/28
Author
vhetherington