This Defensive Trio Is Built for Any Portfolio

Description

While the market may have pushed on from the volatility that we witnessed during the summer, most pundits still point to some form of a market slowdown coming within the next year. One of the best ways to prepare for a slowdown is to add one or more defensive stocks that can not only withstand a prolonged slowdown but thrive.

Fortunately, the market provides us with plenty of great defensive investments to consider, including the following three stocks.

You can bank on this stock

Canada's big banks are well known for their ability to provide investors with record-breaking profits and mouth-watering dividends. More importantly, the big banks have developed a knack for weathering market slowdowns and faring better than other areas of the economy. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is one of the largest of the big banks and boasts a large U.S. branch network that surpasses the bank's presence in Canada, offering a more diversified option for investors to consider.

Incredibly, much of TD's impressive U.S. branch network was acquired during the Great Recession.

That U.S. branch network fuels nearly a third of TD's earnings, which, in the most recent quarter, amounted to $1,287 million from the segment, reflecting an impressive 13% year-over-year gain. Overall the company earned $3,248 million, or $1.74 per diluted share, in the most recent quarter, surpassing the same period last year by $143 million, or $0.09 per share.

In addition to posting handsome quarterly gains, TD also offers a quarterly dividend. TD has been paying out that dividend for well over a century, providing annual or better hikes to that payout. The current yield amounts to a respectable 3.94%.

TD currently trades just over $75 with a P/E of 11.95.

Keep the lights on

No list of defensive investments would be complete without a utility. In this instance, that utility is **Fortis** (TSX:FTS)(NYSE:FTS), which is one of the largest utilities on the continent with an impressive coverage footprint that includes parts of Canada, the U.S., and several Caribbean nations.

Utilities are great defensive investments owing to the joint simplicity and necessity of their business model. In short, utilities are subject to long-term contracts that keep the power flowing in exchange for a steady and recurring stream of revenue. Part of that revenue is then passed on to investors in the form of a dividend.

In the case of Fortis, the company is a stable investment that has provided investors with a string of consecutive upticks to its dividend annually for over four decades, including a 6.1% uptick last month. Even better is the fact that Fortis continues to forecast annual dividend growth of at least 6% through 2024.

Fortis currently trades at over $53 with a P/E of 14.68.

Take a bite out of this stock

When we mention defensive investments, we often gravitate towards the investments that are necessities of our modern life, such as telecoms, utilities, and banks. What we often forget to mention, however, is the most basic of necessities that we rely on: food.

To cater to that need, let's take a look at **Metro** (TSX:MRU): one of the largest grocers in the country, boasting a network of over 900 grocery stores across Ontario and Quebec. Over the past few years, the company has also made the jump into the pharmacy business thanks to its acquisition of the Jean Coutu chain. Metro currently has over 650 pharmacy locations. In addition to maintaining a strong network of brick-and-mortar stores, Metro is also steadily rolling out online grocery delivery in selective markets.

In terms of a dividend, Metro offers a quarterly payout of 1.46%. While the payout is not the most attractive option on the market for investors, it is stable, growing, and will withstand (if not flourish) during a prolonged slowdown.

Metro currently trades at just below $55 with a P/E of 20.42.

Final thoughts

Building a defensive portfolio doesn't need to be hard. There are countless defensive investment options around us that can weather a market slowdown. The three stocks mentioned above provide a diversified mix of investments to augment an existing portfolio or set the foundation for a new one.

In short, buy them, hold them, and watch them grow.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:MRU (Metro Inc.)
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