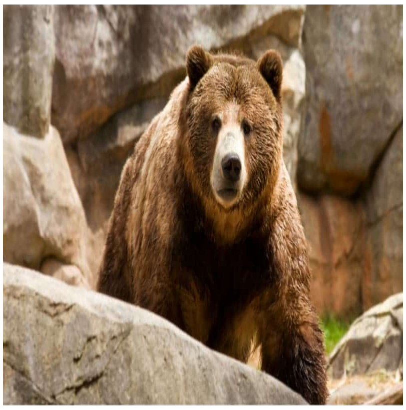

1 Top Dividend Stock to Own in a Bear Market

Description

Fear continues to drive stocks lower, with the **Dow Jones Industrial** plunging by 8% over the last month amid a growing coronavirus emergency and concerns that a global economic slump is inevitable. Canada's main bourse, the **TSX,** has also declined, witnessing the benchmark **S&P/TSX Composite Index** lose 5%.

There's growing concern that a global recession is looming, which will trigger a market correction and bear market. This makes it imperative for investors to bolster their exposure to quality defensive stocks, with one of the best being **NorthWest Healthcare** (TSX:NWH.UN). Unlike the broader market, it's gained a modest 1% over the last month and appears poised to rally further during 2020.

Defensive attributes

There are several reasons for this, among them that real estate investment trusts (REITs) are generally resistant to economic downturns because they invest in property that's a hard asset. NorthWest Healthcare possesses a range of unique characteristics that endow it with a wide economic moat and considerable resistance to an economic crisis coupled with solid growth prospects.

The secular trend to aging populations in major developed nations will also serve as a powerful long-term tailwind for NorthWest Healthcare, as it will generate ever-greater demand for healthcare and hospital treatment.

The demand for medical services is inelastic, meaning that it typically declines very little even during recessions and economic crises. The company's earnings are thus virtually guaranteed even if the global economy slips into recession. There are also steep barriers to entry to the healthcare industry, including strict regulatory requirements and the need for significant capital.

These characteristics endow NorthWest Healthcare with a wide economic moat that protects it from competition, further protecting its earnings and growth potential.

When those factors are considered along with the REIT paying a regular sustainable monthly distribution with a juicy 6% yield, Northwest Healthcare is an ideal stock to hedge against a bear market.

Solid growth potential

NorthWest Healthcare has also been actively growing its business recently entering the U.K. market, buying six private hospitals in a $167 million deal. It also entered a $3 billion joint venture to pursue opportunities in Germany and the Netherlands, thereby boosting its exposure to Europe's largest economy, which bodes well for NorthWest Healthcare's long-term growth prospects.

NorthWest Healthcare is also in the process of rationalizing and optimizing its Australian healthcare property portfolio after the needle-moving $1.2 billion acquisition of 11 healthcare properties from Healthscope in 2019. That deal will realize considerable synergies, further boosting the company's earnings.

The REIT's appeal as an investment is enhanced by it trading at a moderate premium of % to its normalized net-asset-value (NAV), particularly as that NAV will continue to increase as deals are completed. That indicates considerable upside ahead for investors, making now the time to buy.

Looking ahead

NorthWest Healthcare is an ideal hedge against the uncertainty and fear gripping stock markets across globe. Its combination of solid defensive characteristics, a wide economic moat, quality properties, accretive acquisitions, attractive valuation and 6% yield make now the time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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