Time to Consider These Top Defensive Dividend Stocks

Description

While the markets have always been volatile, the past week has been one of the worst — if not the worst – for investors since the early days of the Great Recession. In fact, frantic trading on the market even caused trading in Toronto to shut early yesterday.

That surge in trading was on average 40% higher than usual and likely brought on by a variety of factors such as investors still grappling with the full impact of the coronavirus on global supply chains.

By the end of the day, the markets were firmly in correction territory, leaving many investors stumped as to where (and if) they should invest.

Fortunately, there are a handful of investments on the market that can provide reliable and stable growth for a decade or longer. Here are two such defensive investments to consider adding to your portfolio.

The lights are still on here

During boom periods of the market, investors often shy away from the moderate, yet reliable growth that a utility can offer. While there is something to be said about picking the right investment for your portfolio, there is an equally strong need to invest in one or more defensive stocks to counter that added risk.

Fortis (TSX:FTS)(NYSE:FTS) is one of the largest utilities on the continent and a perfect example of a defensive stock worth investing in. The company has operations in Canada, the U.S. and the Caribbean and continues to seek out new growth opportunities.

An aggressive, yet controlled stance toward growth has allowed Fortis to make increasingly larger acquisitions over the years, which are then followed by a year or more in which the company integrates its newest parts and realizes potential synergies.

Those acquisitions, and by extension, the synergies they bring on help fuel Fortis' quarterly dividend, which currently provides a respectable 3.32% yield.

Adding to that appeal, Fortis is one of a handful of companies on the market today that has provided annual increases to that dividend ranging from 6% to 10% for 46 consecutive years.

While the dividend might be reason enough to consider Fortis, the real reason — particularly in this market — stems from its reliable business model. In short, Fortis provides a service to the communities it serves in exchange for a stable and recurring stream of revenue.

We're still connected (and growing)

Telecoms represent another segment of the market that typically fares well during a slowdown. Specifically, I'm referring now to **BCE** (TSX:BCE)(NYSE:BCE).

Apart from the traditional subscription offerings that telecoms are best known for, BCE complements that revenue stream with an assortment of media holdings that includes various TV and radio stations as well as an interest in professional sports teams.

What investors should be most concerned with however, is BCE's booming wireless segment. Wireless devices, and the data connections they now offer have quickly gone from being a communications niche to a must-have of our modern world in the past decade.

As a result, those devices have replaced dozens of other single-use devices consumers used to purchase, such as alarm clocks, radios, cameras, and countless others.

For BCE, each of those single-use scenarios represents a data-hungry app that provides a growing and recurring stream of revenue.

In terms of results, in the most recent quarterly update, BCE reported adjusted EBITDA growth of 4.8% over the same period last year. Much of that growth was fuelled by wireless subscriber growth amounting to 123,582 net additions in the quarter.

Overall, the company earned $723 million in the quarter, representing an impressive 12.6% increase over the same period last year.

Those solid results fuel BCE's most attractive offering: its dividend. The current quarterly payout provides an attractive 5.33% yield, which is backed by over a century of payouts and a solid history of providing annual upticks to that dividend. Speaking of annual increases, BCE announced a handsome 5% increase to its dividend earlier this month.

Final thoughts

While investors can't avoid market volatility entirely, what they *can* do is augment their portfolios with one or more defensive investments such as BCE and Fortis.

If anything, the current correction may be an opportunity for long-term investors to grab one or both of the stocks at a discounted price.

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