Safe Portfolio Ideas: How to Play Defensive With Dividend Stocks

**Description**

Even if markets recover in the short term, they are going to be remarkably volatile. The defensive approach will be more prudent to remain safe amid these swings. Long-term investors can keep their portfolios at work by earning dividends during these turbulent times.



Let's see how one can build a rock-solid, defensive dividend portfolio with **TSX** heavyweights. The portfolio constituent stocks are recession proof, high yielding, and attractively valued, particularly after the recent selloff.

## Safe bet: Regulated utilities

My first pick is top regulated utility stock **Fortis** (TSX:FTS)(NYSE:FTS). Utilities generally earn stable revenues and have stable cash flows. That's why they pay stable dividends over the years.

Fortis stock is currently trading at a dividend yield of 3.6%, close to that of broader markets. The utility is expected to pay a dividend of $1.91 per share in 2020.

The broad market weakness driven by a virus outbreak has taken broader markets down by 30% in the last few weeks. Fortis stock fell around 25% in the same period. However, the recent fall in Fortis stock was largely unwarranted.

The utility will have a limited or no impact on its bottom line, driven by the coronavirus pandemic. Thus, the stock could soon recover, as the overall sentiment improves.

In case of an economic shock, Fortis will continue to generate stable cash flows because of its regulated operations.

The recent weakness in the Fortis stock makes it an attractive buy. It is currently trading at a price-to-earnings valuation of 12 times.

## Recession-proof telecom industry

Telecom is another recession-proof industry, and I think **BCE** (TSX:BCE)(NYSE:BCE) is a classic defensive play.

Investors seeking safety can consider adding BCE stock to their portfolios. It offers a dividend yield of 5.7% at the moment. In 2020, the communications company is expected to pay a dividend of $3.33 per share.

BCE is a safe bet given the current volatility. Being in a non-cyclical industry, it generates stable earnings and cash flows, which enables stable dividends.

Along with communications and data service operations, BCE operates in digital media and conventional TV services as well. Going forward, 5G will open new growth opportunities for the company.

Just like Fortis, BCE will have a little or no impact of the virus outbreak on its earnings in the ongoing quarter.

Thus, it makes sense to make the most of its recent downturn. The stock has tumbled more than 20% since last month. It is trading at a price-to-earnings multiple of 19 times, close to its historical valuation, and looks attractive



Thus, with a juicy yield and stable earnings profile, this TSX heavyweight looks like an attractive long-term investment proposition at the moment.

## Index funds

One of the most popular index funds is the **iShares S&P TSX 60 Index ETF**. It gives an exposure to 60 biggest companies on TSX across 10 sectors. This fund offers diversification and will track the TSX index. So, the returns one would generate with this fund will be almost similar to the S&P/TSX Composite.

If you invest equally in these three options, your portfolio will largely be safe from volatile markets. The focus here is on dividend-paying stocks, which will ensure periodic cash flows. Their recession-proof nature will likely act as a hedge against the market downturn.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)

4. TSX:FTS (Fortis Inc.)

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