



This Defensive Gem Will Recession-Proof Your Portfolio

Description

Investors are often told of the need to augment their portfolios with one or more defensive stocks. Since the market crash that began last month, the importance of these defensive gems that can't be stressed enough. Fortunately, the market still provides [ample examples](#) of defensive gems that can help bolster your portfolio.

How to recession-proof your portfolio

Utilities are commonly seen as top picks for any defensive portfolio, and **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is one of the largest utilities on the continent. So, what exactly makes Fortis such a great investment at this time? There are three key reasons for investors to take into consideration.

First, there's the necessity that Fortis provides. In this new world of essential and non-essential services, maintaining utility service ranks near the top of any list. Utility services are regulated by long-term contracts that can span decades. In other words, as long as Fortis keeps the power on, the company will generate a secure and recurring flow of revenue.

Keep in mind that utilities tend to fare much better than other segments of the market during a recession. Remember the Great Recession? Fortis registered a mere drop of 15% during that crisis, while many others saw losses of 50% or more. That fact alone makes Fortis a unique defensive gem worth considering.

That's a reassuring thought when so many businesses are now furloughing workers or closing entirely. Turning to results, in the most recent quarter, Fortis earned \$346 million, or \$0.62 per common share. This exceeded the \$261 million, or \$0.56 per share, reported in the same period last year.

Next, let's take a moment to talk about Fortis's stance on expansion. Unlike a stereotypical utility, Fortis has taken an aggressive stance on expansion, pursuing larger deals that expose the company to new markets. The largest deal to date was Fortis's US\$11.3 billion acquisition of ITC, which closed in 2016.

That level of growth allows Fortis to fund a [generous dividend](#), which brings me to one final point.

You can earn income with Fortis, too

A large chunk of that recurring revenue stream makes its way back to investors in the form of a quarterly dividend. In the case of Fortis, that yield currently works out to a respectable 3.69%. Incredibly, Fortis is one of just a handful of companies on the market today that can boast 46 consecutive years of dividend increases. If that weren't enough of a reason, Fortis has also pledged to continue increasing its dividend by 6% annually through 2025.

In other words, Fortis is a great long-term defensive gem for nearly any portfolio.

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