3 Defensive Stocks to Protect Your Portfolio From a Market Crash

Description

The hope of a vaccine amid the encouraging announcements from **Pfizer** and **Moderna** drove the **S&P/TSX Composite Index** 8.8% higher for this month. The index is trading just 0.7% lower for this year. Despite the strong recovery, the high unemployment rate and the rising COVID-19 cases worldwide are a cause of concern. So, given the uncertain outlook, you can protect your portfolio by buying the following three TSX stocks, which are immune to the economic downturn.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a regulated gas and electric utility company with over $56 billion in assets and serves around three million customers in Canada, the United States, and the Caribbean. It earns 99% of its adjusted EBITDA from low-risk regulated assets, proving stability to its earnings and cash flows.

In its recently announced third quarter, the company reported an adjusted EPS of $0.65, representing a marginal decline from $0.66 in the previous year's quarter. The $1 billion investment in utility infrastructure and the delay in new Tucson Electric Power (TEP) rate approval due to the pandemic negatively impacted its earnings.

Meanwhile, Fortis is on track with its guidance of a $4.3 billion capital spending for this year by investing $2.9 billion as of September 30. Further, the management has raised its five-year capital spending plan for 2021 to 2025 by $0.8 billion to $19.6 billion. These investments could increase the company's asset base to $40.3 billion by 2025, representing an annualized growth rate of 6%. The increase in rate base could support the company's earnings growth and strong cash flows.

Despite the challenging environment, Fortis raised its dividends by 5.8% to $0.505, marking the 47th year of consecutive dividend raises. Its dividend yield stands at a healthy 3.8%. Given its recession-proof business model, stable cash flows, and healthy dividend yield, I believe Fortis is a good buy in an uncertain environment.

NorthWest Healthcare Properties REIT

NorthWest Healthcare Properties REIT (TSX:NWH.UN) is up 3.4% for this year. The company owns and operates 190 properties in the healthcare sector, covering 15.4 million square feet across seven countries. In its September-ending quarter, the company reported a net operating income of $72.2 million, representing a rise of 3.4%. Its adjusted funds from operations rose 12.3% to $40 million.

NorthWest Healthcare Properties REIT has a higher occupancy rate of 97.2%, with its weighted average lease expiry standing at 14.5%. Further, over 80% of the company's revenue is supported directly or indirectly by public healthcare funding, which provides stability to its cash flows. Amid the challenging environment, the company collected or formally deferred 97.6% of its revenue. Meanwhile, in October, the collections improved further to 98.1%.

The company pays monthly dividends. For November, the board has declared dividends of $0.067 per share, representing an annualized payout rate of $0.80. Currently, its dividend yield stands at 6.5%. Given the higher occupancy and collection rate, longer weighted average lease expiry, and juicy dividend yield, I am bullish on NorthWest Healthcare Properties REIT.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B), which has delivered impressive returns of over 1,050% in the last decade, is up 9.9% this year, comfortably outperforming the broader equity markets. Since 2011, its EPS has grown at an annualized rate of 22%, driven by strong underlining business, extensive store network, and accretive acquisitions.

Earlier this month, the company had signed an agreement to acquire Convenience Retail Asia, which operates Circle K-licensed stores in Hong Kong, for around $360 million. The acquisition would provide Alimentation Couche-Tard an entry into the Asian C-store market.

Supported by its strong fundaments, Alimentation Couche-Tard has increased its dividends at a CAGR of 27% since 2011. For the first quarter of fiscal 2021, the company had announced quarterly dividends of $0.07 per share. Its current dividend yield stands at 0.6%, which is on the lower side.

Since 2004, the company has made over 60 acquisitions. Despite its aggressive expansion, its market share in the United States stands at just 5%. So, the company has enormous potential to expand its business. Given the non-cyclical nature of its business and high growth potential, I believe Alimentation Couche-Tard can deliver superior returns in the long run.

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1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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rnanjapla