



3 Recession-Proof TSX Stocks to Strengthen Your Portfolio

Description

Since the beginning of November, the Canadian equity markets have been on a roll, with the **S&P/TSX Composite Index** rising by 12.9%. The index now trades just over 2% lower from its all-time high. The vaccine euphoria has driven the equity markets higher.

Meanwhile, the economic indicators are still weak, with a high unemployment rate. Further, the rising global fiscal deficit amid increased spending is a cause of concern. The disconnect between the economy and equity markets could lead to a market crash. So, I believe adding some defensive stocks, which are immune to economic-downturns, could stabilize your portfolio. Here are the three TSX stocks that you should look at amid the uncertain outlook.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) operates a diversified utility business, which delivers electricity, natural gas, and water to over one million connections. It also generates two gigawatts of electricity from renewable energy resources and is constructing additional facilities that could contribute 1.6 gigawatts of power. The company sells the power generated from its facilities through long-term contracts.

Given its growing utility asset base and long-term contracts, Algonquin Power & Utilities delivers high-quality earnings and predictable cash flows, which insulates its stock price from the market volatilities. In the last five years, the company's stock has increased by 114% at a CAGR of 16.4%, easily outperforming the broader equity markets.

Meanwhile, it has also rewarded its shareholders by raising its dividends for the past 10 consecutive years. Its dividend yield currently sits at a healthy 4%. So, given its recession-proof business model, stable cash flows, and healthy dividend yield, [Algonquin Power & Utilities would be a good buy in an uncertain outlook.](#)

NorthWest Healthcare Properties REIT

My second pick is **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](#)), which invests in high-quality healthcare properties across Canada, Brazil, Europe, Australia, and New Zealand. It currently owns 190 properties covering approximately 15.4 million square feet of gross leasable area. Meanwhile, 80% of its revenue is supported directly or indirectly by public healthcare funding, delivering stable and predictable cash flows.

NorthWest Healthcare also enjoys high occupancy and rent-collection rate. Its occupancy rate stood at 97.2% in its [September-ending quarter](#), with a weighted average lease expiry of 14.5 years. The company collected or formally deferred 97.6% of its revenue in the third quarter. Meanwhile, the collection rate improved to 98.1% in October.

NorthWest Healthcare pays monthly dividends. Currently, it pays monthly dividends of \$0.067 per share at an annualized rate of \$0.80 and a dividend yield of 6.4%. Meanwhile, the company is developing projects worth approximately \$348 million, which could support its earnings growth in the coming years.

TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) has a strong history of operating renewable power-generation facilities. Meanwhile, it currently owns 23 wind facilities, 13 hydropower generation facilities, seven natural gas generation facilities, and one solar facility. Together, the company generates around 2,537 megawatts of power, which the company sells through long-term contracts, thus insulating its financials from price and volume fluctuations.

In its September-ending quarter, TransAlta Renewables's adjusted EBITDA and cash available for distribution increased by 12% and 8%, respectively. Meanwhile, the company has over one gigawatt of wind projects in the developmental pipeline. So, the company's growth prospects look healthy.

Since going public in 2013, TransAlta Renewables has paid dividends every month and has increased its dividends at a CAGR of 4%. Meanwhile, its dividend yield currently stands at a healthy 5.2%.

With the world moving towards renewable resources amid the rising pollution, TransAlta Renewables, being an early mover in the sector, could benefit from this shift. Further, the victory of Joe Biden, a strong supporter of clean energy, has prompted me to go bullish on the company.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
4. TSX:RNW (TransAlta Renewables)

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