
# Buy These 4 TSX Stocks to Safeguard Your Portfolio Against a Downturn

**Description**

Amid the hopes of strong corporate earnings, the Canadian benchmark index, the **S&P/TSX Composite Index**, is trading close to its all-time high. However, increasing COVID-19 cases and fresh lockdowns in some parts of the world are causes of concern. Some experts believe that investors have become overly optimistic, driving the companies' valuations higher. If you are also concerned about rising valuations and expect a correction, here are four TSX stocks that you can buy right now to strengthen your portfolio.



## Fortis

My first pick would be **Fortis** (TSX:FTS)(NYSE:FTS), which operates 10 regulated utility assets, serving around 3.3 million customers. Meanwhile, 93% of its assets are involved in the low-risk transmission and distribution business, thus delivering stable earnings and cash flows. Supported by these highly regulated businesses, the company has produced an average annualized returns of around 13% over the last 20 years.

Meanwhile, Fortis's management expects to spend around $19.6 billion over the next five years, expanding its rate base at an annualized rate of 6%. A higher rate base could drive the company's earnings and cash flows. Amid the expectation of increased cash flows, the management has planned to raise its dividends at an average rate of 6% over the next five years. So, I believe Fortis would be an excellent defensive bet.

## Telus

Amid digitization and increased remote working and learning, the demand for telecommunication services is rising. So, I have selected **Telus** (TSX:T)(NYSE:TU), one of Canada's three prominent telecommunication players, as my second pick. Despite the pandemic, the company added 253,000 net new connections during the December-ending quarter, increasing its total connections to around 16 million.

Meanwhile, Telus continues to invest in expanding its TELUS PureFibre and 5G infrastructure, which could boost its earnings in the coming quarters. Telus is also looking at broadening its telehealthcare reach by adding new clinics. Further, the improvement in economic activities amid the ongoing vaccination drive could also support its financial growth. Meanwhile, Telus's management expects its revenue and adjusted EBITDA to increase by 10% and 8% this year, respectively.

Additionally, Telus pays quarterly dividends, with its dividend yield currently standing at 4.8%. Meanwhile, the company's management expects to increase its dividends by 7-10% this year.

## NorthWest Healthcare

My third pick would be **NorthWest Healthcare Properties REIT** (TSX:NWH.UN), which acquires and manages healthcare real estate properties. The company's tenants have signed long-term contracts, with the weighted average lease expiry standing at 14.5 years. Long-term contracts reduce vacancies. So, the company enjoyed a high occupancy and collection rate, even during the pandemic.

Further, 80% of its tenants receive government funding, while 73% of its rent is inflation-indexed. The company's financial position also looks strong amid its recent equity offerings. So, the company is well positioned to fund its expansion in Europe and Australia. Given its steady cash flows and healthy growth prospects, I believe NorthWest Healthcare to continue paying dividends. Its forward dividend yield currently stands at a healthy 6.1%.



## Algonquin Power & Utilities

My final pick would be **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), which is involved in the utility business and power production from renewable sources. The company sells its power through long-term contracts, thus shielding its financials from price and volume fluctuations. These stable cash flows have allowed the company to raise its dividends by over 10% every year for the last 10 consecutive years.

The company currently pays quarterly dividends, with its forward dividend yield standing at 3.8%. Meanwhile, Algonquin Power & Utilities has planned to invest around $9.4 billion over the next five years, expanding its utility assets and power-producing capabilities. Supported by these investments, the company's adjusted EPS could grow by 8-10% during this period. So, given its recession-proof business model, I believe Algonquin Power & Utilities provides stability to your portfolio.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:TU (TELUS)

4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:FTS (Fortis Inc.)
6. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
7. TSX:T (TELUS)

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