3 Top Canadian Stocks to Buy Amid Rising Volatility

Description

Amid concerns over high valuations and expectation of interest rates going up, the volatility in the Canadian equity markets has increased over the last few weeks. Meanwhile, here are three top defensive stocks that you can buy right now to strengthen your portfolio.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) operates 10 electric and gas utility businesses serving around 3.4 million customers across Canada, the United States, and Caribbean countries. On Wednesday, the company reported an impressive first-quarter performance, with its adjusted EPS growing by 13.2% year over year. The expansion of the rate base amid the company's capital investment in the last four quarters and new customer rates at Tucson Electric Power drove the company's financials.

Meanwhile, the company's management has stated that its $3.8 billion capital investment plan for this year was on track, with $0.9 billion invested in the first quarter. The company has also planned to invest $19.6 billion over the next five years to expand its rate base at a compound annual growth rate (CAGR of 6%). These investments could drive its earnings and cash flows in the coming quarters.

Besides, the company has also raised its dividends for 47 consecutive years, with its dividend yield currently standing at 3.7%. Further, its management has announced to increase its dividends at a CAGR of 6% through 2025. So, given its stable cash flows, healthy growth prospects, and growing dividends, I believe Fortis would be an excellent defensive bet in this volatile environment.

BCE

The pandemic has accelerated the digitization of business operations, increasing the demand for telecommunication services. So, I have selected **BCE** (TSX:BCE)(NYSE:BCE), one of Canada's top three telecommunication providers, as my second pick. It had reported better-than-expected first-quarter performance last week, with its revenue and adjusted EBITDA increasing by 1.2% and 0.5%, respectively.

It added 108,468 new connections during the quarter while generating $940 million of free cash flow. Further, it is going ahead with its broadband network acceleration program, with around $1 billion of capital invested during the quarter. These investments could help in raising its total fiber and WHI connections to 6.9 million by the end of this year. These new connections, expansion of 5G coverage, and improvement in economic activities could boost BCE's financials in the coming quarter.

Further, its financial position also looks healthy, with its liquidity standing at $6.5 billion at the end of the quarter. The company also pays quarterly dividends, with its forward dividend yield standing at 5.7%.

NorthWest Healthcare

My final pick would be **NorthWest Healthcare** (TSX:NWH.UN), which acquires and manages healthcare real estate properties. Given its low-risk, diversified portfolio of healthcare real estate assets, the company enjoys a high collection rate of around 98%. The company has signed long-term agreements with its tenants, with a weighted average lease expiry standing at 14.5 years. These long-term contracts reduce vacancies and increase the occupancy rate.

Further, most of the company's tenants receive government funding, while a significant portion of its rent is inflation-indexed. Amid all these factors, the company delivers stable and predictable cash flows, allowing it to pay monthly dividends at a healthier yield of 6.1%. Recently, the company had strengthened its balance sheet by raising close to $220 million in February.

Besides, given the expansion of its asset portfolio in high-growth markets and robust acquisition pipeline, NorthWest Healthcare's financials could continue to grow in the coming years.

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

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