3 Defensive Stocks That Could Strengthen Your Portfolio

Description

The first half of this year was good for Canadian investors, with the **S&P/TSX Composite Index** rising around 16%. However, the substantial increase in the stock prices has also driven their valuations higher. The concerns over increasing COVID-19 cases due to the Delta variant and higher inflation have increased the volatility in the equity markets. So, here are three top Canadian stocks with recession-proof business models that you can buy right now to strengthen your portfolio.

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Waste Connections

Waste Connections (TSX:WCN)(NYSE:WCN), an integrated solid waste services company, would be an excellent buy in this volatile environment, given the essential nature of its business. The company operates in exclusive or secondary markets, which are less competitive, thus maintaining its margins. With the gradual reopening of the economy, the demand for its services could rise. Further, rising oil demand could drive its revenue from E&P waste.

Apart from organic growth, the company also focuses on making strategic acquisitions to venture into new markets and strengthening its market share in particular markets. Last year, it acquired 21 companies, with around $180 million in annualized revenue. As of March 31, its cash and cash equivalents stood at $743.5 million. So, the company is well equipped to carry out future acquisitions. The company also pays a quarterly dividend of $0.205 per share, with its forward dividend yield standing at 0.5%.

BCE

BCE (TSX:BCE)(NYSE:BCE) is another stock that you can bet on in a volatile environment. The company has planned to invest around $1.7 billion of additional capital over the next two years to expand its next-generation fibre, wireless home internet, and mobile 5G networks.

The company currently provides 5G service in around 25 markets and has plans to expand the service to cover 70% of the Canadian population by the end of this year. The rising remote working and learnings and improving economic activities could drive the demand for BCE's services in the coming quarters.

Further, the company has partnered with **Amazon** Web Services to modernize its applications and services and utilize its machine learning and analytics capabilities to enhance customers' experience. So, I am bullish on BCE. The company also pays quarterly dividends at a healthier forward yield of 5.65%.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) operates 10 regulated assets serving around 3.4 million customers. Supported by these highly regulated utility assets, the company has delivered an average total shareholder returns of about 13% for the previous 20 years. The company's low-risk utility businesses generate steady cash flows, which have helped the company raise its dividends for 47 consecutive years. Currently, it pays a quarterly dividend of $0.505, with its forward dividend yield standing at 3.65%. With its payout ratio standing at 73%, I believe the company's dividend is safe.

Meanwhile, Fortis has planned to invest $19.6 billion through 2025, expanding its rate base at a CAGR of 6%. A growing rate base and favourable rate revisions could boost the company's earnings and cash flows in the coming years. The company's management expects to increase its dividend at an annualized rate of 6% through 2025. So, given its recession-proof business model, steady cash flows, and healthy growth prospects, Fortis could strengthen your portfolio against market fluctuations.

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