



Avoid Volatility With This Top Defensive Stock

Description

Volatility is back, at least for the moment. Following some incredible growth this year, markets reminded us recently of the need to diversify. That pullback could be an indicator of another correction or at least a break from double-digit growth. This is particularly true considering that the post-COVID recovery is beginning to lose steam. For investors, this means that the need for a top defensive stock has never been greater.

Looking to diversify? This could be *the* stock you need

To be clear, the [need to diversify](#) your portfolio is something that all investors should do, irrespective of how the market is performing. Often, when the market is on a tear, investors will load up on high-growth, high-income stocks at the expense of defensive holdings. But what is that top defensive stock that investors should consider?

That top defensive stock is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

For those that are unaware of Fortis, the company is one of the largest utilities on the continent. Utilities such as Fortis are often regarded as some of the best defensive stocks on the market. Part of the reason for that stems back to the stable business model they adhere to.

In short, the utility generates a stable and recurring revenue stream from long-term regulated contracts that can span decades. This makes Fortis a top defensive stock to consider, particularly in times of volatility.

If that weren't enough, unlike many utilities, Fortis can appeal to growth-seeking investors.

Fortis has the growth potential that few utilities can match

One of the common criticisms of utilities among investors is that they are boring investments that lack growth. The argument for that view implies that the reliable revenue stream that utilities earn leaves

few resources or any incentive for growth.

When it comes to Fortis, however, that couldn't be further from the truth.

Fortis has invested heavily into growth initiatives over the years, which has led the company to expand into new markets. That growth has also solidified Fortis as one of the largest utilities on the continent, with a portfolio that includes sites in Canada, the U.S., and the Caribbean.

In recent years, Fortis has focused its growth efforts on its existing facilities. Specifically, the company has earmarked billions towards a capital program tasked with improving facilities and transitioning towards renewables. That transition will see Fortis reduce emissions to 75% compared with 2019 levels by 2035.

That top defensive stock can provide income potential, too

While it's true that Fortis is a great defensive stock, the company is also a superb option for long-term, income-seeking investors as well. Fortis provides investors with a respectable quarterly dividend that currently works out to a yield of 3.62%.

Not only is that yield impressive, but it's growing, too. Fortis has provided annual upticks to that dividend for 48 consecutive years. Oh, and if that weren't enough, Fortis is committed to continuing those upticks at an average rate of 6% through 2025.

To put that income potential into context, a \$35,000 Fortis investment in your [TFSA](#) will provide over \$1,200 in income during the first year alone. Factoring in growth and potentially reinvesting those dividends will provide significantly higher income.

In other words, if you are looking for a defensive stock that can provide reliable, stable, and growing income, Fortis could be the top defensive stock your portfolio needs.

Final thoughts

As most investors know, there is no such thing as a stock that is without risk. That being said, there are certain stocks that boast a [certain defensive appeal](#). Fortis is one of those stocks and, in my opinion, should be a core part of every portfolio. Buy it, hold it, and let it build your nest egg.

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Date

2025/08/24

Date Created

2021/07/27

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