



Here's a Top Defensive Stock for Your Portfolio

Description

Ahh...defensive investing! That's a term that is thrown around a lot, particularly during times of volatility. In the simplest terms, defensive investing is selecting one or more stocks for your portfolio that is less volatile to offset more risky investments. But what top defensive stock can investors turn to?

Let's try to answer that by talking about one of the most defensive stocks on the market, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

What makes Fortis a top defensive stock for your portfolio?

Fortis is a massive utility that has operations across Canada, the U.S., and the Caribbean. The company, which is now one of the 10 largest utilities on the continent has grown considerably in the past decade and remains a stellar buy for defensive-minded investors.

But what actually *makes* Fortis a top defensive stock? While there are several factors, the two main points of note are Fortis's reliable business model and the longstanding and reliable dividend.

As a utility, Fortis benefits from operating one of the most stable business models in operation. In short, Fortis provides a utility service across multiple regions. The amount of that utility service that is provided is stipulated in long-term contracts that can span decades in duration. That regulated contract also stipulates compensation for providing that service.

In other words, as long as Fortis continues to provide that utility service, it will generate a recurring and stable revenue stream.

Putting that potential into context, Fortis currently boasts a whopping 3.4 million customers across both its gas and electric utility operations. From an earnings standpoint, in the most recent quarter, Fortis earned US\$259 million, on an adjusted basis. This represents a US\$1 million improvement over the same period last year.

What about growth?

One of the common criticisms made by prospective investors is that utility stocks lack significant growth prospects. That view stems from the belief that with a reliable revenue model and handsome dividend (more on that in a moment), there is little incentive, or resources available to invest in growth initiatives.

When it comes to Fortis, the company is not just a top defensive stock, but also a growth gem. In the past 30 years, Fortis has grown from a \$390 million operation to a \$56 billion behemoth. This is evident from the series of well-executed and ever-larger acquisitions the company has completed in the past decade.

That growth focus has now turned to transitioning toward renewables such as wind and solar, which is a defensive move. Specifically, Fortis has a dedicated \$19.5 billion capital improvement fund for that purpose. The company has set a target of reducing emissions by 75% by 2035. Fortis's capital fund will play a major part in reaching that goal.

Keep in mind that Fortis's capital investment comes at a time of increased focus on reducing emissions. In other words, Fortis is using this colossal and necessary investment in a defensive capacity. This only furthers the view that Fortis is a top defensive stock.

Longer-term, the potential for additional growth is only going to increase. For investors, this makes Fortis a perfect buy-and-forget candidate. And I haven't even mentioned the best part yet.

Did someone say income?

Apart from the need to add a top defensive stock like Fortis to your portfolio, one of the main reasons why investors flock to Fortis is the dividend. The stable business model I mentioned above provides a [steady revenue stream](#), which Fortis passes on to investors in the form of a quarterly dividend.

That dividend currently works out to a respectable 3.46% yield. Note that while [there are higher yields](#) elsewhere on the market, few can match Fortis' stability and growth potential.

Adding to that potential is the fact that Fortis provides investors with juicy annual upticks to that [dividend](#). Incredibly, those annual upticks have continued for a whopping 48 consecutive years. Further to this, Fortis is committed to continuing that practice, which will make Fortis a Dividend King within a few years.

In my opinion, Fortis is a superb long-term option that should be a core holding of every portfolio. Buy it, hold it, and let it grow. All hail the future Dividend King!

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