3 Top Defensive Income Stocks

Description

Volatility is something that needs to be considered in every portfolio. Finding the right mix of defensive investments to counter volatility should be something new investors strongly consider. Fortunately, the market provides many great investments to choose from, including the top defensive income stocks noted below.

How about a top defensive income bank stock?

One of the biggest misconceptions among investors is that defensive stocks lack an attractive yield. That couldn't be further from the truth, and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) handily dispels that myth.

CIBC is neither the largest nor the most well known of Canada's big banks. CIBC does, however, offer investors handsome growth and income-generating capabilities in a defensive package. Keep in mind that Canada's big banks weathered the pandemic storm far better than expected, making them unique options to consider at the moment.

Turning to growth, apart from CIBC's stable domestic branch network, the bank has focused its expansion efforts in recent years on the lucrative U.S. market. Those efforts have helped the bank fuel its growth and maintain one of the juiciest dividends among the big banks — a 3.86% yield.

If that isn't reason enough to convince prospective investors, consider these two other points. First, dividend hikes across Canada's banks have been on hold since the start of the pandemic, but that hold may soon end, driving that yield up even further.

Second, despite some stellar results of late and a whopping 40% gain over the trailing 12-month period, CIBC's P/E is still just 12.47. This makes the bank a superb buy for defensive, income, and value-minded investors.

Speaking of defensive stocks, have you considered a utility?

No list of defensive investments would be complete without mentioning at least one utility. And if that list includes anything dividend related, you would be hard-pressed to find another utility as appealing as **Fortis** (TSX:FTS)(NYSE:FTS).

Fortis is one of the largest utilities on the continent. That immense size is backed up by an incredibly lucrative yet stable business model. In short, Fortis has a reliable and recurring revenue stream that is backed up by regulatory contracts that can span decades. That revenue keeps on coming in for as long as Fortis keeps providing its utility service.

That reliable revenue stream would normally mean few growth prospects, but this is where Fortis breaks with the stereotype view of a utility. The company has invested billions in strategic acquisitions over the years. More recently, that growth has shifted to transitioning its facilities towards renewables.

Turning to dividends, Fortis pays out a handsome yield of 3.56%. If that weren't enough, Fortis is on track to become the only Dividend King in Canada within two years. The company has already provided 47 consecutive years of dividend increases and has provided guidance to take it well over 50 years.

In other words, buy it, hold it, and watch it grow.

Here's one final top defensive income stock to consider

Another segment of the market that boasts a strong defensive appeal is Canada's telecoms. **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) in particular boasts something its peers can't match.

This might seem like an odd pick at first. The 3.14% yield offered by Rogers lags its peers. Also, note that Rogers stopped providing an annual hike to its dividend several years ago. That's not to say Rogers won't provide an uptick to its dividend at some point. It has already provided a single hike in 2019 since it ceased the annual practice a few years earlier.

Additionally, the lack of dividend hikes doesn't change the fact that Rogers is still an incredibly defensive stock to add to your portfolio. But why would income-seeking investors then consider Rogers over its peers?

To answer that, let's look at what Rogers is doing with the money it's no longer putting towards dividend hikes. Rather than rewarding investors now, Rogers is using those funds to pay down debt, improve its product lineup, and invest in growth initiatives.

Those efforts have greatly improved Rogers's financial standing. It has also allowed Rogers the ability to build out what is arguably the largest 5G network in Canada. The growing importance of wireless connections could prove to make that decision a seriously competitive (and defensive) advantage.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:RCI (Rogers Communications Inc.)
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