3 Top Canadian Defensive Picks for Cautious Investors

Description

It may be time to get defensive in the markets right now. Indeed, given where valuations are, cautious investors have few places to hide. Picking undervalued stocks is becoming increasingly difficult, as is creating a defensive portfolio. That said, there are some great defensive picks on the TSX right now. Let's dive into three of the best options for Canadian investors today.

Top defensive picks: Restaurant Brands

Fast-food conglomerate **Restaurant Brands** (TSX:QSR)(NYSE:QSR) is a company with a business model as defensive as it gets. Low-priced food tends to always be a hit. In times of economic turmoil, it's even more so.

Indeed, the company's core banners including Popeyes Louisiana Kitchen, Tim Hortons, and Burger King are global winners. Accordingly, this is a stock that's seen as a great growth play in emerging markets. However, in domestic markets, Restaurant Brands's cash flows have proven to be very stable.

That said, there's a tremendous amount of upside with Restaurant Brands stock with regards to the pandemic reopening thesis. This is a company that saw its top and bottom lines take a hit as a result of restaurant closures. As the world goes back to normal, so too will Restaurant Brands' cash flows. For long-term investors, that means more capital appreciation and dividend income.

Accordingly, there's a lot to like about this stock.

Fortis

One of the top dividend stocks in the Canadian market, **Fortis** (TSX:FTS)(NYSE:FTS) ought to be in every retirement portfolio. Indeed, this Dividend Aristocrat hasn't missed a dividend increase in approximately 47 years. That's a very long time, filled with recessions, wars, and (most recently) a pandemic.

However, Fortis has been able to pay out impressive dividends over time due to very stable cash flows. As a regulated utility, the company can essentially bank on its cash flows growing at a reasonable rate over the long term.

Thus, investors benefit from the company's dividend increases in two ways. First, these higher dividends obviously provide inflation-protected income over time. However, the other key factor is that these dividends provide stability to the company's stock price. Should Fortis's shares fall too low, its relative yield would invite new investors in. This creates stability and defensiveness for long-term investors.

Kirkland Lake Gold

Finally, **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) caps off the list. Indeed, there are few sectors more defensive than gold miners. And in this sector, Kirkland Lake is among the best.

Why?

Well, Kirkland Lake's balance sheet is pristine. The company has essentially zero debt, with high-grade production strategically located in mining-friendly jurisdictions. This is extremely bullish for investors looking for a safe, defensive gold miner.

However, Kirkland Lake is also on track to increase production over time. This provides a growth thesis for investors bullish on where the price of gold is headed.

Overall, each of these companies are great long-term picks. Investors would be remiss to not have each of these defensive picks on their watch list right now.

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Date
2025/08/22
Date Created
2021/09/12
Author
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