2 Top Canadian Defensive Stocks to Add Before Turbulence Hits

Description

Investors looking for defensive stocks to buy right now certainly have reason to do so. Valuations are high. And market sentiment has continued to remain frothy for some time.

Accordingly, picking companies with excellent dividend-growth potential as well as organic growth potential, alongside defensive business models, seems like a good move. Here are two of my top picks in this regard.

Top defensive stocks: Fortis

Fortis (TSX:FTS)(NYSE:FTS) remains one of the top defensive stocks any investor should consider. For longer-term investors, I think Fortis provides one of the best investment theses right now.

From a dividend perspective, there's certainly a lot to like about Fortis. It's not necessarily this company's dividend yield of 3.8% that gets me excited. Though, that yield is pretty attractive when looking at where bonds trade right now.

Rather, it's Fortis's dividend-growth track record that I'm looking at. Fortis is a company that's managed to raise its dividend each and every year for the past 47 years. That's on par with the best Dividend Aristocrats in Canada. It's also an incredible feat when one considers all the market turbulence over the past decade.

Considering the regulated nature of its cash flow, Fortis is an impressive defensive play. Fortis's capital program of nearly $20 billion is expected to boost the company's base rate by $10 billion over time. This will provide Fortis with the opportunity to increase its annual dividend growth by 6%.

Moreover, Fortis is also a stock with massive long-term opportunities. The company has been focusing on renewable energy while investing in its core business strategically. Indeed, this Dividend Aristocrat is a great defensive stock on the TSX right now.

Restaurant Brands

Another defensive stock I've continued to like for quite some time is **Restaurant Brands** (TSX:QSR)(NYSE:QSR). A purveyor of some of the highest-quality fast-food chains, including Tim Hortons, Burger King, and Popeyes Louisiana Kitchen, Restaurant Brands is among one of the most popular Canadian stocks for a reason.

Like Fortis, there's a dividend-growth thesis with this stock. However, the company's growth profile is what gets me excited. Outside of North America, there's a world of opportunity for new franchise openings. This is a quick-service restaurant conglomerate with largely untapped potential in key markets. Think Asia.

This company's cash flows have been robust over time. While Restaurant Brands did see a hit from the pandemic, I expect earnings to roar back in 2022 and 2023. Indeed, this company's defensive business model bodes well for long-term investors.

Accordingly, those looking for a multi-decade long investment may want to consider either stock. Both are defensive stocks I view as core holding candidates for most investors.

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2. NYSE:QSR (Restaurant Brands International Inc.)
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chrismacdonald