



## There Are Stocks to Counter Volatility

### Description

Don't look now, but volatility is [back with a vengeance](#). In fact, the market is performing more like a roller coaster lately. This can cause havoc and dare I say fear among some [new investors](#). This is only exacerbated by the rising prices of nearly everything. Fortunately, there's no reason for fear. There are still plenty of viable stocks to counter volatility on the market.

Not only that, but many of those great defensive picks provide investors with a handsome dividend. Here's a look at one such option to consider for your portfolio.

### You can't get more defensive than this business...

Utilities represent some of the most defensive options in the market. There's a good reason for that. Utilities generate a stable and recurring revenue stream. Even better, that stable revenue stream is (mostly) not impacted by the price of commodities. The overall direction of the market and consumer spending habits are also unaffected by that stable utility business.

Instead, utilities are bound by regulatory contracts, known as power-purchase agreements (PPAs). These contracts set out how much power and how much compensation will be provided to the utility. The PPAs are very long-term agreements, typically spanning more than a decade, sometimes two.

This level of stability allows utilities to provide investors with a healthy, predictable dividend. Sounds like the perfect investment, right?

Unfortunately, some critics see utilities as lacking in growth potential. In fact, some see them as boring stocks to hold, noting that better growth can be found elsewhere.

So then what utility should those investors be on the lookout for when searching for stocks to counter volatility?

## One of the stocks to counter volatility: Fortis

The stock for investors to buy is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)). To say that Fortis is huge would be an understatement. Fortis is one of the largest utilities on the continent. The company boasts 10 operations scattered across Canada, the U.S., and the Caribbean.

Collectively, those operations have a whopping \$58 billion in assets and serve 3.4 million utility customers.

Fortis reported results for the fourth quarter and full fiscal year earlier this month. In the most recent quarter, the company earned \$328 million, or \$0.69 per common share. This reflected a slight dip over the \$331 million, or \$0.71 per common share reported last year. A variety of factors weighed into the decline. These included warmer-than-expected weather, higher non-recoverable costs at some units, as well as the impact of unfavourable foreign exchange.

Despite that quarterly dip, the full-fiscal report paints a different story. Fortis reported earnings over the full fiscal year of \$1,231 million, or \$2.61 per common share. By way of comparison, across 2020. Fortis earned \$1,209 million, or \$2.60 per common share.

In terms of growth, Fortis differs from many of its utility peers. The company has taken an aggressive stance toward growth, primarily through a series of well-executed acquisitions. Those acquisitions have allowed Fortis to expand out to new markets. This has also allowed Fortis to realize synergies across its generation and distribution businesses.

In recent years that growth has shifted toward refining its existing facilities. This includes upgrading, replacing, and transitioning facilities toward renewables. Fortis has earmarked a massive multi-year capital budget toward that effort.

## What about income?

One of the main reasons why investors turn to utilities is for the dividend. That's certainly true in the case of Fortis. In fact, the company offers investors a quarterly dividend that currently works out to a respectable yield of 3.66%.

Adding to that appeal is Fortis' annual uptick to that payout. The company has set a precedent of providing investors with a handsome annual increase. That streak now extends an incredible 48 consecutive years, and Fortis plans to continue that tradition at least through 2025, averaging a 6% bump annually.

## Final thoughts

Fortis represents a great defensive pick for any portfolio thanks to its stable business and [generous dividend](#). In my opinion, Fortis is one of the best stocks to counter volatility.

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