3 Defensive Stocks to Buy Amid Rising Recession Risks

Description

The **S&P/TSX Composite Index** is trading 3.4% higher despite the volatile global equity markets. Higher commodity prices have driven the index higher. However, inflation, which is at a 30-year high, and the impact of the Russia-Ukraine war and the subsequent sanctions, are a cause of concern.

In an interview with CNBC, Carl Icahn, a famed activist investor, stated, "I think there very well could be a recession or even worse." He is worried about surging inflation and expects the ongoing Russia-Ukraine war to add more uncertainty. So, given the uncertain outlook, investors could balance their portfolios by adding more defensive stocks. Meanwhile, here are my three top picks.

Fortis

Fortis (TSX:FTS)(NYSE:FTS), with its 10 utility operations, serves 3.4 million customers meeting their electric and natural gas needs. Given its low-risk and regulated business, the company delivers stable financials irrespective of the state of the economy. Supported by these stable earnings, the company has raised its dividends for 48 consecutive years. Its forward yield currently stands at 3.55%.

Meanwhile, the company will be investing US$20 billion over the next five years, growing its rate base at a compound annual growth rate (CAGR) of 6% to $40.6 billion by 2026. The increase in rate base and favourable rate revisions could boost its financials in the coming years. So, I believe Fortis would be an excellent defensive bet in this volatile environment.

NorthWest Healthcare Properties REIT

NorthWest Healthcare Properties REIT ([TSX:NWH.UN](#)) operates 224 health care facilities across Europe, America, and Australia. Given its highly defensive and diversified portfolio, government-supported tenants, and long-term contracts, the company's occupancy and collection rate remain higher even during economic downturns. So, the company's earnings are stable, which has allowedthe company to pay dividends at a healthier yield. Meanwhile, its forward yield currently stands at an impressive 5.75%.

With the rising aging population, the company's health care facilities could continue to witness a higher occupancy rate. Meanwhile, the company acquired $920 million of assets last year while disposing of assets worth $55 million. Additionally, the company has committed around $340 million to expand its footprint in Australia, Europe, Brazil, and Canada. So, these investments could drive the company's financials and stock price.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) serves around 1 million customers with its regulated utility assets while also owning a growing portfolio of renewable assets. The company sells most of its power through long-term PPAs (power purchase agreements), thus delivering stable and predictable cash flows and allowing the company to raise its dividends annually by over 10% for the last 11 years. Its forward yield currently stands at 4.47%.

Meanwhile, Algonquin Power & Utilities has committed to invest a capital of US$12.4 billion over five years from 2022 through 2026, growing its rate base a CAGR of 14.6%. In 2022 alone, the company has planned to invest around US$4.3 billion, including the recently completed acquisition of New York American Water and the ongoing Kentucky Power acquisition deal. These investments could grow the company's financials in the coming years. So, [Algonquin Power & Utilities could be an excellent addition to your portfolio](#).

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2. Investing

TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)
5. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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