Worried About Your Returns? 2 Defensive Dividend Stocks to Own Today

Description

The Canadian stock market has delivered stellar returns over the last few years. Canadian stock market investors had the opportunity to grow their wealth significantly by investing in companies that exhibited substantial capital gains. The pandemic disrupted the equity market's consistent rise to new all-time highs.

The onset of COVID-19 initially erased much of the returns in the stock market, but the broader market strength prevailed. The months following the pandemic-induced dip saw the **S&P/TSX Composite Index** resume its gains. However, the investing environment has been going through a change in recent months.

Rising inflation rates have prompted central banks to take action and control the rising living costs. Introducing tighter monetary policies through interest-rate hikes is one of the measures necessary to control the prevalent red-hot inflation. While the move might cool down inflation, it could also slow down broader economic growth.

Canadians worried about their investment returns might want to consider dividend investing as a strategy to protect and grow their capital. Today, I will discuss two top dividend stocks operating in defensive industries that could be viable investments for this purpose.

North West Company

North West Company Inc. (TSX:NWC) is a $1.88 billion market capitalization multinational Canadian grocery and retail company. Headquartered in Winnipeg, the company owns and operates stores in Canada's western provinces and northern territories, providing an essential service. Businesses in the consumer staples sector tend to do well regardless of macroeconomic conditions.

North West Company stock trades for $39.09 per share at writing, and it boasts a 3.79% dividend yield. It boasts robust operations, offers decent shareholder dividends, and it is a Canadian dividend aristocrat that can offer you growing passive income in the long run.

Fortis

Fortis Inc. (TSX:FTS)(NYSE:FTS) is a $30.83 billion market capitalization utility holdings company headquartered in St. John's. The company owns and operates several utility businesses across Canada, the U.S., Central America, and the Caribbean.

It generates most of its revenues through long-term contracted and highly rate-regulated assets. The predictable cash flows through its low-risk businesses allow the company's management to fund its capital programs comfortably.

Fortis stock trades for $64.92 per share at writing, and it boasts a 3.30% dividend yield. It is also a Canadian dividend aristocrat with a 48-year dividend growth streak. It is just two years shy of becoming a Canadian dividend king.

The essential nature of its business ensures that Fortis can continue generating virtually guaranteed cash flows for years to come, making it a staple in many long-term investment portfolios.

Foolish takeaway

As you can see, these stocks are from two different industries. What they do have in common, though, is that they are high-quality companies and boast services essential to the economy. Whether it is consumer staples or utilities, businesses like these can always generate consistent cash flows regardless of broader economic conditions, making them highly defensive assets to own.

Both stocks offer decent passive income through shareholder dividends and long-term capital gains. If you are worried about your investment returns in today's uncertain market environment, North West Company stock and Fortis stock could be viable investments for you to own.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:FTS (Fortis Inc.)
3. TSX:NWC (The North West Company Inc.)

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