



## What Sets Fortis (TSX:FTS) Stock Apart in Bear Markets

### Description

When investing for the long-term, what do you look for in the stocks you select? Many investors would say, decent returns that do not compromise a good night's sleep, right? And why not? Many investors would be happy with a low-risk, moderate-return proposition, rather than a potentially high return growth stock that is prone to volatility. Let's look at one stable, defensive dividend stock that is a solid investment for the long-term.

### Fortis: A classic defensive stock

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is one such stock that offers decent return prospects with much lower volatility. In the last two decades, Fortis stock has returned 12% CAGR (compound annual growth rate), notably outperforming **TSX** stocks and even the **S&P 500** by a huge margin.

Note that FTS could underperform in shorter-term horizons but tends to outperform in the long-term. That's mainly because it pays stable, consistently growing dividends that can get reinvested back to contribute to the higher total return.

Fortis earns nearly all of its cash flows from regulated operations. These regulated operations provide a steady rate of return, whether we're in an economic downturn or upswing, facilitating earnings stability.

### Earnings and dividends

Fortis reported its earnings and revenue growth of 9% and 5% CAGR in the last decade, respectively. Note that it continued to grow slowly even during the pandemic years when growth companies experienced huge drops in profits and stocks plunged.

So, driven by its steady business model and predictable earnings, utilities like Fortis can afford to give away stable dividends to their shareholders.

Fortis has increased its shareholder dividends for the last 48 consecutive years. And that's not rare among utilities. Many utility companies have long dividend growth streaks. By comparison, peer **Canadian Utilities** has raised its shareholder payout for the last 50 consecutive years. FTS currently yields 3.6%, while CU yields 4.3%.

Fortis intends to invest \$20 billion through 2026 in capital projects. This will increase its rate base by 6% annually through 2026 which will help expand its earnings and shareholder dividends.

Another important advantage of investing in FTS is the low volatility of its stock. When broader markets crashed 35% amid the pandemic in March 2020, utilities like FTS noticed a much lower drawdown of around 10%-15%. This is because many investors sold their high-growth bets to take shelter in these defensives and earn passive income.

## Disadvantages of investing in utility stocks

But there is another side to this feature as well. Even though utility stocks stay relatively resilient in [bear markets](#), they underperform in bull markets. And we've seen some of the best bull markets in the last decade.

Growth stocks delivered 1,000% returns in a decade and even higher in some cases, but FTS returned merely 165%! So, if you want to get rich quick and you have a higher risk appetite, allocating a large portion of your investment funds to stocks like Fortis might not be prudent.

There is another shortcoming of holding utility stocks, particularly in the current scenario. Utilities and interest rates move inversely to each other. As a result, as central banks started raising their benchmark interest rates this year, stocks like Fortis have trended lower. And this points to why investors should hold utility stocks longer, probably longer than one business cycle.

## Bottom line

In a nutshell, if you're a conservative investor and are satisfied with mediocre returns, you should allocate a higher amount of your portfolio to utility stocks. They will likely outperform in the long-term and keep contributing to your [monthly income via dividends](#). Above all else, this strategy will protect your portfolio in volatile times and allow you to sleep peacefully.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)

## **PARTNER-FEEDS**

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

## **PP NOTIFY USER**

1. agraff
2. vinitkularni20

## **Category**

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

## **Date**

2025/08/20

## **Date Created**

2022/09/12

## **Author**

vinitkularni20

default watermark

default watermark