3 Reasons Why “Boring” Fortis Inc. Belongs in Your Portfolio

Description

Why pay attention to boring when sexy gets so much more attention?

In the auto industry, **Tesla Motors Inc** continues to get all the accolades, even though both **Ford Motor Company** and **General Motors Company** combine to make 15 million vehicles *more* than the new kid on the block. Likewise, 3-D printing companies trade at huge multiples, while stodgy old manufacturing companies trade at barely 10 times earnings. Social media stocks continue to trade at sky-high valuations, while traditional media stocks are still fairly valued.

It’s human nature to be attracted to the latest trend. I still make sure to read up on most of them, because I want to expand my knowledge and because I want to see whether investing opportunities exist. Generally though, by the time individual investors discover the latest new craze, the market has beat them to it, and valuations are sky-high.

Besides, when it comes to your portfolio, boring is good. Boring is profitable, steady, and less risky. Investing in boring means buying the stalwarts of Canadian industry, companies that have been around for decades, supplying customers with needed products and services.

Perhaps the most boring of all is **Fortis Inc** (TSX: FTS), the country’s largest power generator. Yet Fortis is exactly the kind of boring you want to invest in. Here are three reasons why.

1. Right mix of assets

One of the reasons why **TransAlta Corporation** (TSX: TA)(NYSE: TAC) has experienced such weakness over the last few years is because of its dependence on coal-fired power plants. The world is moving away from coal, and governments seem less inclined to tolerate it, considering its polluting properties.

This isn’t the case for Fortis, which has the vast majority of its electric assets in cleaner energy. The majority of its plants are hydroelectric, with some natural gas mixed in. The company is also investing extensively in both solar and wind power, although they don’t generate much at this point.

2. Acquisition record

Fortis started out as just a small utility operator in Newfoundland back in 1885. It established itself outside of Newfoundland in the 1980s, eventually growing to have operations across Canada, in the U.S., and even in the Caribbean. This has all happened via smart acquisitions.

Lately, the company has been on a bit of a buying spree, coughing up $1.5 billion to buy CH Energy Group, an electric utility in New York. It's currently in the process of acquiring UNS Energy, an Arizona-based utility company. While there's risk in every acquisition, management has proven that it has the track record to successfully add these new assets into the fold.

3. Dividend history

These successful acquisitions are a big reason why Fortis has a dividend growth streak that's among the longest in North America. This year marked the 41st consecutive year of dividend increases, dating all the way back to 1973. Not only is that impressive growth, but it also shows management's commitment to not only delivering solid results, but also taking care of shareholders.

Currently, the stock yields 3.8%. Compared to where the stock has been over the past few years, this is on the upper end of the yield range. The payout ratio is also a comfortable 70%, meaning investors shouldn't have to worry about the security of the dividend.

Fortis is boring, which is exactly the reason why it belongs in your portfolio. It's recession-resistant, with terrific management, and a dividend growth history that is very impressive. It won't double overnight, but it should produce steady, predictable returns.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:FTS (Fortis Inc.)
3. TSX:TA (TransAlta Corporation)

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