Why Canadian Utilities Limited Is the Best Purchase a Young Investor Can Make

Description

If you look at only the short-term picture, **Canadian Utilities Limited** (TSX: CU) may not seem like a compelling investment. The company has not stunned with year-over-year stock performance, nor does it pay an exceptionally high dividend. However, if you look at its longer-term history, investors in Canadian Utilities Limited have benefited from consistent dividend increases and positive year-over-year stock performance for decades, a trend that is likely to continue.

While young investors may be drawn to trendy sectors that can offer short-term gains, Canadian Utilities may be a better purchase — a steady, predictable stock that over the next 20-plus years should offer profound returns and dividend payments.

Dividend history

Canadian Utilities' annual dividend yield of 2.69% is nothing to write home about. What is impressive, though, is that it has consistently increased over the past 42 years. While higher dividend yields may seem enticing, they are often not tenable over the long term. Canadian Utilities Limited has already proven that it can sustain and increase its dividend over the long run.

Dividend future

It does not matter how great of a dividend a company pays if its business model can't sustain the payout. Canadian Utilities' business strategy suggests that more dividend hikes are in store: It is investing in Alberta's growing economy, planning on investing over $6 billion in new electricity transmission infrastructure projects through 2015, and is expanding its services in Australia and betting on green energy. Through these new offerings, it will earn more cash, which in turn can be returned to shareholders.

Stock performance

Beyond dividend payments, Canadian Utilities' stock is poised to perform well in the future because of the investments the company is making in expanding its business. Although Canadian Utilities does not offer explosive growth, it is the tortoise in the proverbial tortoise vs. hare story. And while not immune to global macroeconomic factors, it has provided consistent, steady returns for investors — ideal for those looking to hold and benefit from years of consistent profits.

In sum

Young investors may be drawn into fad investing, with the mentality that they have the time to take high risks, but a better approach would be to pick some companies with a consistent and predictable growth profile. These steady companies could be a better pick as they will return a consistent per-share increase as well as higher dividends over decades. Canadian Utilities is a model example of such a company.

CATEGORY

1. Investing
2. Stocks for Beginners

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1. TSX:CU (Canadian Utilities Limited)

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