Get a Growing Income From These Utilities to Counter Volatility

Description

With China worries and global growth concerns in the news headlines, investors should brace themselves for more volatility than usual.

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Utilities deliver power and gas to consumers, both of which are essential products. As a result, utilities tend to remain strong in uncertain times.

Here are some quality utilities that offer solid yields and add stability to any portfolio. Particularly, if you're looking for a steadily growing stock, take a good look at these utilities.

Canadian Utilities Limited (TSX:CU) is a diversified utility. Its stability is evident by its 43rd consecutive annual dividend increase that occurred in the first quarter of 2015. Imagine the ups and downs that it went through in four decades, yet it hasn't missed a single dividend hike. For the past three years the utility has been able to increase dividends at a higher rate of 10% compared with its decade-low rate of 7%.

At about $35 per share, Canadian Utilities offers a stable yield of almost 3.4% that's poised for growth in the coming year. Investors can buy Class A shares with reinvested dividends at a 2% discount.

Fortis Inc. (TSX:FTS) is mainly a regulated electric utility. It's also a stable business with its 41st consecutive annual dividend hike that occurred in the first quarter of 2015. In the past three years Fortis has experienced slower growth than Canadian Utilities. For example, Fortis's last dividend hike was at a rate of 6.3% compared with Canadian Utilities's 10% growth.

However, after selling its non-core assets of hotels, Fortis's assets are essentially either regulated utilities or long-term contracted energy infrastructure. Fortis's cash flows are very predictable and stable, which leads to a predictable and growing dividend.

At close to $35 per share, Fortis offers a stable yield of almost 3.9% that's poised to grow in the coming year. Investors can enroll in the dividend reinvestment plan for a 2% discount on common shares.

Emera Inc. (TSX:EMA) has been outperforming its peers. While Canadian Utilities and Fortis experienced 14% and 9% of decline year-to-date, respectively, Emera has actually gone up by almost 14.9%.

Emera is a diversified utility with assets in northeastern North America, and in four Caribbean countries. Although it only has eight years of dividend-growth history, it has more growth ahead. Emera is focused on transforming the electricity industry to cleaner generation and the delivery of that clean energy to the market.

At close to $44 per share, Emera yields 4.3%. The company targets to grow dividends at a rate of 6% per year through to 2019. This implies a yield on cost of 5.4% by 2019 based on an investment today. Investors can enroll in the dividend reinvestment plan for a 5% discount on new shares to increase your stake in the company.

In conclusion

Based on these utilities' history and predictable earnings and cash flows, Foolish investors can expect dividend increases of around 5-7% per year from them. Long-term investors can start buying here. However, these companies would be even better opportunities at higher yields:

- Canadian Utilities with a yield of 3.6%, or a price of $32.78
- Fortis with a yield of 4%, or a price of $34
- Emera with a yield of 4.5%, or a price of $42.22

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If you have limited capital, you may be better off buying Canadian Utilities or Fortis first, since they have a longer history of increasing dividends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:EMA (Emera Incorporated)
3. TSX:FTS (Fortis Inc.)

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