



Want a 4% Yield With Massive Long-Term Upside?

Description

When I began writing this article a few weeks ago, **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) had a 4% yield; however, since I finished this article, the yield has shrunk down closer to 3.5% due to capital appreciation.

As I have explained [previously](#), Fortis is a company I would have recommended a long time ago had I taken a deep look at it sooner. The long-term potential with this name, in my opinion, is very rare in any market (especially in the smaller TSX), and, as such, I give this stock priority treatment in terms of how much time I spend analyzing its components.

I'd like to take the time to assess Fortis's dividend yield. Specifically, I want to look at some of the fundamental characteristics driving the company's yield long term and what long-term investors can expect from Fortis over the coming five to 10 years and beyond.

The track record speaks for itself

Fortis has certainly written the script on how it wants to be perceived by the financial markets. The thing is, this script was written 43 years ago when the company began increasing its dividend every year.

That's right. Since 1974, Fortis has raised its dividend every year (by a factor of approximately 6% per year) to the continual cheer of investors. An investor who'd bought Fortis in 1974 would likely be a very happy one, considering that the compound yield over 43 years for 6% works out to 1,245% of the initial purchase price in 1974. That means that an investor who'd bought Fortis in 1973 would now be receiving 12.45 times their initial purchase price in 1974 *in dividends alone*.

A company for the ages

Having a business model that is relatively impervious to outside forces can be a great asset for a long-term investor. Investment gurus such as Warren Buffett have focused on utilities, railroads, and other business based on the long-term stability that companies within these industries provide combined with the income and capital-appreciation potential of specific businesses within these sectors.

Looking for a few strong, defensive names in a portfolio is always a good strategy for a long-term investor; picking the companies with the lowest risk and the highest return is easier said than done; however, these opportunities typically come in the form of “boring” names that are overlooked by the market. One of the boring names I like right now just happens to be Fortis.

Stay Foolish, my friends.

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