

# 1 Stock That Offers High Capital Appreciation and a High Yield

## Description

Many retirees and investors who rely on their income may tell themselves that they don't really care whether a stock goes up or down in value, as long as the dividend or distribution is reliable.

I think that's a poor strategy because stock price appreciation is also important if there are unexpected expenses down the road that require you to liquidate a portion of your portfolio. The income payments really wouldn't make sense if you sold your holdings at a huge loss.

It's important to think about the long term, but keep in mind that nobody can truly hold a stock forever, and no investor should feel obligated to hold a stock if circumstances change such that your original investment thesis no longer holds.

A high, stable dividend or distribution doesn't have to mean that you'll receive little or no capital gains over the long run. There are great businesses out there that can offer you a high, growing dividend as well as solid capital appreciation.

Consider how **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) has fared. The stock has more than doubled over the last five years, which is a very respectable return for a growth company, let alone a utility company.

You would think that a company whose stock price appreciated this fast would be a high-flying tech play or a speculative stock with little or no dividend yield, but you'd be wrong. Algonquin has paid an average dividend yield of 4.4% over the last five years, so investors who've held the stock have gotten yield and capital gains. Algonquin has truly offered the best of both worlds, and the twist is, the dividend has been growing by a substantial amount over the last few years as well.

## How long can Algonquin deliver stock price appreciation and dividend growth?

Sure, Algonquin had a very impressive past few years, but as an investor, you know that previous performance is no guarantee of future returns. You need to consider if any fundamental changes were made such that Algonquin can no longer keep up its impressive pace.

I think Algonquin can continue this pace. The management team is focused on driving free cash flow, and I believe it's reasonable to expect more acquisitions to boost long-term profitability over the next few years. Algonquin is not done yet, and I wouldn't rule out another five years of unbelievable performance.

I believe Algonquin owns some of the best utility assets that a Canadian investor could ask for. The company owns water utilities through its subsidiary, Liberty Utilities, which runs water works for many locations south of the border. A water utility is one of the most stable assets you could ask for. We need water, even if a depression were to happen tomorrow.

Because of the growth and the stability of Algonquin's assets, the stock trades at a premium. But it's

definitely a premium that's worth it if you've got an extremely long-term investment horizon.

As an income investor, Algonquin is truly a magnificent stock that could offer you the best of both worlds: income and stock price appreciation. You should keep this stock on your watch list and buy on any dips that may happen.

Stay smart. Stay hungry. Stay Foolish.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

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