



Here Are 2 of the Best Utility Stocks to Buy and Hold

Description

Utility stocks have been some of the best long-term investments. Not only do they provide juicy income for whatever you want to spend it on, but they can also provide stability for your portfolio. Their stocks tend to have low volatility compared to the market and will likely fall less in a market downturn.

Utility stocks have been out of favour in the last year or so due to higher interest rates and the likely potential for future rate hikes. The pullback of the stocks makes it an excellent opportunity for investors to buy quality utility stocks at relatively cheap valuations.

I have handpicked two of the best utility stocks, **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) and **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)), for investors looking for safety, income, and growth.



Fortis

Fortis is as strong and diversified as it has ever been. In 2016, the utility acquired ITC Holdings, a regulated, independent electric transmission company in the U.S., which enjoys double-digit growth and complements Fortis's regulated electric and gas assets in the U.S., Canada, and the Caribbean. Fortis is now one of the top 15 North American utilities and generates 64% of its earnings from the U.S.

Fortis is virtually a [regulated utility](#), which means it generates stable and predictable cash flow. It has increased its dividend for 44 consecutive years.

At about \$40.30 per share, Fortis offers a starting yield of 4.2%. Management aims for 6% average annual dividend growth through 2022. So, an investment today can generate returns of about 10% per year.

Brookfield Infrastructure

Brookfield Infrastructure is a great company that has been amassing an incredible global portfolio of infrastructure assets across 35 businesses in the utility, transport, energy, and communications infrastructure sectors. It has the flexibility to invest in industries and geographies where capital is scarce and therefore get a bigger bang for its buck.

Brookfield Infrastructure has an impressive track record of dividend growth of 10 years. At about \$48.90 per share, the utility offers a starting yield of 5%.

Given management's dividend growth target of 5-9% per year, an investment today can generate returns of 10-14% per year.

Investor takeaway

Investors should not be dissuaded from investing in utilities but should look for entry points in these quality names for long-term growth and increasing income.

Over the next 12 months, investors may be able to buy these [utility stocks](#) at even cheaper prices, as the stocks may feel more pressure from interest rate hikes.

That said, I believe long-term investors won't regret it if they begin with these great businesses today.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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