



3 Contrarian Stock Picks for a Yield-Focused Income Fund

Description

A pullback in the utility and energy infrastructure sectors is giving [income investors](#) an opportunity to buy some quality dividend-growth stocks at attractive prices.

Let's take a look at three companies that might be getting oversold.

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#))

Fortis has one of the best dividend track records in Canada, supported by steady growth through development projects and acquisitions. The business now has \$49 billion in assets and is a top-15 utility company in the U.S. and Canada.

Management is working through a \$15.1 billion capital plan that should increase the rate base by a compound annual growth rate of 5.4% through 2022. Among the developments is the Wataynikaneyap Power project, which will see the construction of 1,800 km of transmission lines to connect the power grid to 17 First Nations communities in northwestern Ontario. FortisOntario has the contract to construct and manage the transmission line.

Fortis has raised its dividend in each of the past 44 years. The current payout yields 4%.

The stock has pulled back from \$48 last November to about \$42 per share.

Inter Pipeline Ltd. (TSX:IPL)

IPL is a niche player in Canada's oil patch, with conventional oil and oil sands pipelines as well as gas-processing assets. The company also owns a bulk liquids storage business in Europe.

IPL is seeing strong throughput on the pipeline segment and has decided to go ahead with its \$3.5 billion Heartland Petrochemical Complex. The site should be finished by the end of 2021 and is expected to generate average annual EBITDA of up to \$500 million.

The company raised the monthly dividend from \$0.135 to \$0.14 per share late last year and reported

record net income for Q1 2018, so things are moving in the right direction. The stock currently trades for \$25 per share, providing a dividend yield of 6.7%.

Algonquin Power and Utilities Corp. ([TSX:AQN](#))([NYSE:AQN](#))

Algonquin Power owns US\$9 billion in power generation, transmission, and distribution assets primarily located in the United States. The bulk of the businesses are clean energy operations, including solar, wind, and hydroelectric facilities.

Management is doing a good job of mixing strategic acquisitions with organic projects to drive growth and is returning more cash to shareholders. Algonquin Power just increased the dividend by 10%. The new distribution provides a [yield](#) of 5.4%.

The stock is down from \$14 per share in November to about \$12.50, giving investors an opportunity to buy Algonquin Power at a reasonable price.

Is one a better buy today?

Fortis, IPL, and Algonquin Power all pay dividends that should continue to grow at a steady pace. If you only choose one, I think IPL offers the best shot at some upside gains in the medium term, while providing a very attractive monthly payout.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)

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