



3 Reasons This Utility Belongs in Your Portfolio

Description

Utilities make incredible investment options for investors to turn to, particularly for those that are increasingly looking for defensive options to re-balance their portfolios. One such option that is worthy of consideration is **Algonquin Power & Utilities** ([TSX:AQN](#)) ([NYSE:AQN](#)).

While there's no shortage of utility investments to add to your portfolio, there are some unique factors that put Algonquin well ahead of its peers. Let's take a look at some of those factors in more detail.

More diversified

Utilities are often mentioned as some of the best defensive investments on the market, owing to their recurring revenue stream. Power and water utilities in particular are necessary staples of our modern world, all but solidifying the stability of that revenue stream.

Algonquin has a \$10 billion portfolio of assets that are comprised of utility and power generation segments. Specifically, Liberty Utilities serves 750,000 customers across one dozen U.S. states, providing water, electricity, and gas utilities, whereas Liberty Power has an interest in over 35 clean energy facilities with hydro, solar, thermal, and wind elements.

This is an interesting and important distinction that is often overlooked by investors. Traditional fossil fuel-burning utilities are beginning to see their facilities replaced by renewable energy ones, many times at a considerable cost.

The fact that Algonquin is already well diversified into two segments and has a portfolio of renewable energy assets puts the company well ahead of its peers.

An impressive and growing dividend

In terms of a dividend, Algonquin offers investors a very appetizing 4.84% yield, which has been subject to a series of handsome hikes over the years, including a generous 10% uptick earlier this year.

Critics of Algonquin often point to the fact that the yield may sound a little on the high end, especially considering that many of Algonquin's peers have yields that are closer to 4%. To address those concerns, potential investors can take solace in the fact that Algonquin's payout is covered by its earnings, with the ratio currently coming in near 75%.

New acquisitions and opportunities

Algonquin has never been known to shy away from opportunities to expand its footprint. The company already has a growing footprint of 750,000 customers across both Canada and the U.S. for its utility distribution and power generation businesses, and now the company is set to grow further.

Algonquin recently acquired the natural gas distribution arm of **Enbridge** in New Brunswick in what can only be seen as a strategic long-term opportunity that will lead to further growth in the long run.

Should you buy?

Utility investments aren't for everyone. The stereotypical view is that they are boring investments that lack growth prospects. There are also those investors that are looking primarily for growth over income. For those investors, a [growth-focused investment](#) might be the better route.

In reality, Algonquin is neither boring nor lacking growth. The company's impressive and growing dividend may be reason enough for some investors to buy the stock, and Algonquin's well-positioned and diversified portfolio ensures that the company will continue growing in face of the renewable energy shift.

In short, if you want a steady and [growing stream of income](#) for your golden years, buy the stock and forget about it.

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Date

2025/08/26

Date Created

2018/12/24

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