



## Why Every Portfolio Needs a Utility Stock

### Description

Seasoned investors that have been watching the markets over the past few months may have noticed a few events transpire that could have profound effects on the economy. First and foremost, oil prices continue to rise, and, in turn, prices at the pump have seen upticks over the past few weeks that have outpaced their usual seasonal fluctuations.

Then we have interest rates and precious metals. Following a period of hikes, it looks like rates in Canada as well as the U.S. are finally settling in and no longer likely to be changed this year. In the case of gold, the per-ounce price of the yellow metal has dipped to below US\$1,290, ending for now what was a run over US\$1,300.

Adding to those woes is the fact that the loonie has become more of a glider than a flyer in recent months, seemingly unable to pass the US\$0.75 marker.

What does all this mean? In short, there has never been a better time to diversify your portfolio and a utility investment such as **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) could be the perfect addition.

### Why Fortis?

As a utility, Fortis benefits from an extremely stable business model. Fortis provides a necessary service that has set rates stipulated in a power-purchase agreement. In other words, if Fortis keeps providing that power, that recurring and stable source of revenue will keep coming in.

That stable and recurring revenue stream often comes at the cost of limited growth options, or at least that's the stereotype that is often attributed to traditional utilities. In reality, Fortis has shown an insatiable appetite towards expansion over the years, as a series of continuously larger deals allowed the company to expand into new markets across the U.S., becoming one of the largest utilities on the continent. Nearly two-thirds of Fortis's revenue now stems from the U.S. market, which will prove interesting should the loonie continue to fly low or even sink further against the greenback.

Fortis's focus on growth by acquisition isn't the only route that the company has taken towards

expanding its operations; over the course of the next four years, Fortis has planned to invest \$17 billion towards delivering cleaner energy, which is something that investors should take note of — particularly as the market continues to move towards more [renewable energy](#) facilities.

In terms of results, Fortis most recently reported earnings of \$2.21 billion, or \$0.56 per share.

Perhaps the most compelling reason to consider Fortis as a long-term investment option comes in the form of the company's quarterly dividend. While the 3.64% yield is not the highest yield on the market, what it does have is over four decades of consecutive, annual increases that puts the utility into a league of its own among the [income-seeking](#), buy-and-forget crowd.

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## Date

2025/07/03

## Date Created

2019/04/29

## Author

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