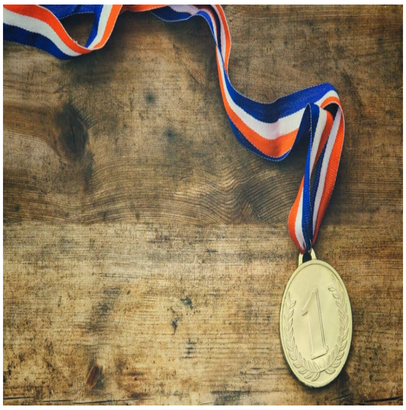

Get Defensive and Earn Passive Income With This Top Pick

Description

When there's growing uncertainty in the market, investors often gravitate towards traditional investments that have been known to weather volatility and provide stable growth. Apart from precious metal investments, utilities are often seen as some of the most stable and defensive options for investors to consider.

The logic around that choice is sound: utilities provide a necessary service to the public; in return, that utility reaps the reward of a steady, recurring stream of revenue, which eventually makes it way back in the form of a handsome dividend to investors. To put it another way, utilities are the perfect buy-and-forget investment for those looking at long-term gains and stable income.

One wrinkle in that long-standing view relates to the increasing importance of renewable energy. Most traditional utilities are still utilizing fossil fuel-burning facilities, and as increasingly more aggressive regulations come into force around carbon emissions, those traditional utilities could find themselves locked out from renewing their long-term agreements.

This is where the appeal of **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) comes into play.

Why Algonquin is where you should look

There are several reasons why Algonquin is an attractive buy for investors.

Apart from the obvious allure of a utility investment, Algonquin benefits from having a portfolio consisting entirely of renewable energy assets. This is a huge advantage over traditional utilities that are now scrambling to dump billions into infrastructure programs aimed at developing renewable energy assets to replace aging fossil fuel-burning facilities. In addition to the enviable renewable energy portfolio, Algonquin has a sizable utility services arm known as Liberty Utilities, which provides water, electric, and gas service to over 750,000 customers across a dozen different U.S. states.

Adding to that appeal comes the fact that Algonquin is highly diversified. Apart from operating over 35 different clean-energy facilities across a large geographic region, Algonquin's portfolio is also diversified across wind, solar, hydro, and thermal elements, putting the company in a preferred view even over other renewable energy companies that focus on only one or two different renewable energy types.

Finally, let's talk a bit about the loonie. Over the course of the past year, the loonie has struggled to hold across key levels and has steadily declined to and remained south of US$0.75 for some time now. That weakness provides an advantage to Canadian companies that have a large presence in the U.S., particularly those with a recurring income stream that is ultimately converted back into Canadian dollars, which Algonquin does.

Strong income-earning potential

In terms of results, Algonquin announced results for the first fiscal quarter of 2019 earlier this month. While revenue saw slight declines of $17.6 million in the quarter, adjusted EBITDA saw a $7.8 million improvement over the same period last year, while earnings shot up from $0.04 per share last year to $0.17 in the most recent quarter.

Apart from the stable business model and inroads into clean energy noted above, one of the other reasons investors should consider Algonquin comes down to the company's quarterly dividend, which currently provides an appetizing yield of 4.47%. Adding to that appeal is the fact that Algonquin has provided annual hikes to that dividend going back years, with the most recent 10% hike being announced earlier this month.

Prospective investors might be skeptical of buying into Algonquin at the moment, as the stock is flirting with its 52-week high, but in reality, Algonquin remains a superb long-term pick with plenty of growth and income-producing capabilities.

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