



It's Time to Get Defensive With This Top Dividend Pick

Description

In case you haven't checked yet, markets around the world started the week off with a severe case of the jitters. Broad losses across nearly every sector were witnessed, no doubt prompting investors with a weaker tolerance to risk to panic and, dare I say, consider selling. As any long-term investor will tell you, the market can and will recover. We saw it last Christmas and as recently as last month.

So, what should investors do? Apart from *not* selling, diversifying into one or more defensive holdings is probably a good idea. An example of one such investment is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

There are three reasons you need this stock. Like, right now

For those that are unfamiliar with Algonquin, the company is a utility, with a growing portfolio of facilities situated across the U.S. that are grouped under two subsidiaries: Liberty Power and Liberty Utilities.

Those two segments represent the first point that I wanted to make. Liberty Utilities provides regulated water, natural gas, and electric utility service to over 770,000 customers across 13 U.S. states and one province here in Canada.

Liberty Power is the company's renewable energy arm, with an equally impressive portfolio of 39 renewable energy facilities that encompass wind, solar, hydro, and natural gas elements. Collectively, those facilities generate an impressive 1.5 GW of power.

Next, let's talk about growth. Contrary to the stereotypical view of a utility being a boring investment option with few growth prospects, Algonquin has taken an aggressive view towards expansion.

Liberty Utilities has amassed an impressive portfolio of regulated utility assets valued at US\$6 billion and boasts a five-year CAGR in excess of 25%. Over the next five years, the company plans an additional US\$5.3 billion investment in growth while keeping customer rates at competitive levels.

Liberty Power also has plenty of long-term potential to offer investors. As with [traditional utilities](#), the majority of those facilities are under long-term power-purchase agreements (PPAs), which translates into a stable and recurring revenue stream for what is currently an average 14-year PPA duration. Turning to growth prospects, Liberty Power is forecasting US\$1.7 billion in development opportunities to materialize over the next decade in the U.S., with another US\$.0.5 billion expected to come from international markets.

Finally, there's Algonquin's dividend. The company's well-diversified and growing business segments generate a handsome income stream, which is in turn passed on to shareholders in the form of a quarterly dividend.

The current payout amounts to a respectable 3.32% yield, which has seen generous annual upticks over the years, leading to the stock being known as one of the [better Dividend Aristocrats](#) on the market. Adding to that appeal is the fact that Algonquin continues to forecast strong growth of that dividend for the next few years, too.

What should you do?

Any of the factors I mentioned above would make Algonquin a great long-term investment. Throw in the uncertainty around the market at the moment, and Algonquin emerges as a top-pick for investors looking to diversify without sacrificing growth or earnings potential.

In short, buy it, hold it, and get rich.

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