



Bear Market Got You Scared? Invest \$3,000 in This Stock

Description

The bear market has hit investors hard. Some stocks are [down](#) more than 50%. But one company has continued business as usual. In fact, this stock has posted a *gain* since the year began.

If you have some cash to invest, but don't want to assume excess risk, **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) should top your [buy list](#).

Protect your portfolio

Nervous about the bear market? Utility stocks are for you. These companies deliver essential services like electricity to businesses and residential homes. Historically, recessions only result in a single-digit percentage decline in utility demand. In some downturns, utility demand *increased*.

But it gets even better. Utility demand is only one side of the equation. The other side is pricing. After all, a utility could be delivering a stable volume of electricity, but if prices fall, its finances could still be impacted.

Pricing volatility is a big reason why investors go with *rate-regulated* utilities. These businesses enjoy government guarantees on how much they can charge customers. Pricing is often determined years in advance, so a short-term bear market has no effect.

When it comes to rate-regulated stocks, Algonquin leads the pack. That's because it has a unique business model that ensures year-to-year stability without sacrificing long-term growth.

Forget the bear market

Algonquin runs two businesses: Liberty Utilities and Liberty Power.

Liberty power constitutes two-thirds of the company's revenue. It's a conventional rate-regulated water, natural gas, and electric utility. This segment provides Algonquin with reliable cash flows that it can

reinvest at high rates of return through the Liberty Power segment.

Liberty Power is a renewable and clean power developer and operator. It's responsible for one-third of sales. It's not strictly rate regulated, leading to higher returns. But most of this segment's contracts span multiple decades, greatly reducing the risk.

In total, these complementary businesses are the perfect match. Investors get protection from bear markets but still benefit from the long-term growth of renewable energy. Over the last decade, AQN stock has more than tripled, all while delivering a respectable dividend, which now yields 4.6%.

Over the next five years, management has identified \$9.2 billion in capital opportunities. Note that the current market cap is only \$9.8 billion. That means the business could potentially double by 2025. Importantly, the capital deployment will retain the current business mix, with the majority remaining rate regulated.

"The total growth thesis has not been impacted by the challenges currently being experienced due to COVID-19, and Algonquin remains well positioned both in the near term and the long term to continue executing on our long-term capital plan," management recently reiterated.

Want further proof that Algonquin will sail through the bear market unfazed? Last week, the company boosted its dividend by 10%.

"This increase marked the 10th year of consistency increasing our dividends as well as demonstrates our collective confidence and the resiliency of our business model," CEO Ian Robertson noted.

Are you worried about the bear market? No matter how intense the economic downturn gets, Algonquin shareholders can sleep easy.

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