Up or Down Market: This 1 Superb Stock Will Stand Strong

Description

The TSX is still about 10.7% down from its pre-crash value. The recovery is still in progress, but right now, it doesn't have the momentum it had in late March and April. In fact, the market has just recovered by 9.6% since May. While this doesn't indicate that another crash is on the horizon, it does point towards a slow recovery.

If a recession is in the future, that means we might see a lot of ups and downs in the market before it finally stabilizes. If that's too much for your portfolio and your personal risk appetite, then you may want to buy into a strong, dependable stock to hedge your portfolio against. The most conventional choice in this regard is **Fortis**, but another utility stock might be the better pick, especially to add growth to your portfolio.

A renewable energy and utility company

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) has been on the radar of most growth-seeking investors for a long time. The smaller utility giant has a price-to-earnings ratio of 20 times and a price-to-book ratio of 2, making it a bit more overvalued than Fortis.

As a utility company, Algonquin is inherently very safe and stable against market fluctuations. The company is managing over 804,000 connections in Canada and the United States. These connections are spread out over 13 U.S. states and one Canadian province. The connections are split between 168,000 water and wastewater utility connections, 369,000 gas connections, and 267,000 electric connections.

So, the utility portfolio is well spread out. The portfolio increased by 4.6% between 2018 and 2019. The company is also growing its assets considerably. The company is running 53 renewable and clean energy facilities, and they have a total production capacity of over two gigawatts.

The stock

The stock is coveted more for its growth, even though it’s a well-established Dividend Aristocrat, with nine years of increasing dividends under its belt. From 2016 to now, the company has increased its dividends by 61%. The payout ratios were not very encouraging, up until a couple of years ago. But the payout ratio now seems stable enough (76.22%).

A much better reason to have Algonquin in your portfolio is its stability and the growth prospects it offers. In March, the stock fell by about 37%, and while it hasn’t recovered its pre-pandemic values yet, it’s currently trading at a price 1.8% higher than its start-of-the-year value. The company has shown amazing resilience against the downturn and a reasonably swift recovery — a feat you might expect it to repeat in the next market downturn.

As for growth, the 10-year CAGR that Algonquin offers is 21.6%. That’s powerful enough to turn half of your TFSA ($35,000) into $246,000 in just one decade.

Foolish takeaway

Algonquin has its eyes set on the future and an already well-poised utility position in both the U.S. and Canada. Just as the company is focusing more and more on clean and renewable energy sources for its power generation, it’s likely exploring advanced technological solutions to its other utility services as well (waste management, mostly). This will ensure that the company keeps growing and improving its positions and returns in the future.

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