



Hold This TSX Defensive Star Forever

Description

It's rare that there's an opportunity to invest in a superb buy-and-hold stock that can provide both income and growth potential. It's even rarer when that superb stock is also a defensive star that is trading at a discount.

Fortunately, that's exactly the position investors are in, and that stock to consider is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

What makes utilities great investments?

Utilities are [superb long-term holdings](#). There are many reasons for that designation, but it comes down to three key points. First, utilities provide a necessary service — in this case, power. That essential service that utilities provide isn't something that we can do without, as is the case with cutting your cell phone service. If anything, the COVID-19 pandemic has made utilities even more important.

Second, let's talk about power-purchase agreements (PPAs). In short, these are long-term contracts that indicate how much power will be sold by the utility and at what rate. These regulated agreements typically span decades in duration, which adds an element of stability to utility stocks. In the case of Fortis, the company is further diversified thanks to its 10 different utility operations in Canada, the U.S., and the Caribbean. In total, those operations are 99% regulated, with a total of 3.3 million customers.

Fortis's diversity is worth expanding on for a moment. Contrary to the stereotype view of utilities, Fortis has taken an aggressive view towards expansion. This is what has allowed the company to become one of the largest utilities on the continent with combined assets of over \$56 billion.

Even in the realm of renewable energy, often a troubling concept for traditional utilities, Fortis is pushing forward aggressively. Fortis announced earlier this month that the company would seek out to reduce carbon emissions by 75% by 2035. This figure uses 2019 as a base-line year and hints at a greater expansion into renewable energy generation. Again, this makes Fortis a defensive star worthy of consideration.

What about income?

Fortis's stable and recurring revenue stream provides leads me to the final point worth mentioning — dividends. Fortis provides investors with an attractive quarterly dividend that currently works out to a 3.71% yield. That might not represent the best yield on the market, but it is well covered and continues to grow.

In fact, Fortis is one of just a handful of companies on the market that provides over four decades of consecutive annual dividend hikes. The most recent uptick of 5.8% will take effect later this year, marking the 47th consecutive annual uptick.

If that weren't enough, Fortis remains committed to further increases. The company announced this month that it will continue to provide annual increases through 2025, targeting a 6% annual compound growth rate. This makes Fortis the perfect defensive star investment for any portfolio.

Final thoughts

I've mentioned that utilities make great investments. I've also noted how Fortis continues to differ from traditional utilities. There is one final point to note that should drive home the need to include Fortis in your portfolio, and that is stability. The COVID-19 pandemic and subsequent crash have left markets in a wild state of volatility. Fortis is the perfect stock to counter that volatility while still providing for growth and income-seeking investors.

In short, Fortis is a defensive star that should be [core to any portfolio](#).

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