A Canadian Dividend Growth Stock I'd Buy and Hold for 40 Years

Description

Warren Buffett's favourite holding period is forever. Yet, even the man we know as the Sage of Omaha isn't able to hold onto stocks forever, given the technological disruptors out there that have moat-eroding potential.

When it comes to stocks that you intend to hold for decades at a time, I'd urge young Canadian investors to look to the firms that can build upon their moats over time. It helps if a firm is on the right side of a secular trend. Take renewable energy play **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), a stock that I believe is a name that you could stash in your Tax-Free Savings Account (TFSA) and completely forget about for the next 40 years.

Investing for the *really* long haul

Say you're a millennial investor who's looking to change the world with your invested dollars, but you're also looking to grow your retirement nest egg at the best possible rate whilst minimizing downside risks. Algonquin fits the bill as a dividend growth stock that's perfect for millennial investors who seek to hold for the next 20, 30, even 40 years.

As a sustainable energy power play, Algonquin Power just happens to find itself on the right side of a secular trend. With a capable management team that's able to make the most out of such a fortunate position, investors have a lot to gain with a name that I believe could continue growing its dividend — already a handsome 3.8% — at a double-digit annualized rate whilst delivering an above-average magnitude of capital appreciation. A bountiful growing dividend, capital gains potential? That's the best of both worlds.

The late investment legend Phillip Fisher, author of *Common Stocks and Uncommon Profits*, used to describe such businesses as "fortunate and able." Algonquin is fortunate to be on the right side of a secular trend, with a management team who's "able" or skilled enough to take advantage of the opportunity at hand.

A low volatility dividend growth stock that's playing the long game

With a beta of 0.23, Algonquin stock is also in the sought-after low-beta camp. Such a low beta means that AQN stock is more likely to zig when the markets zag and vice-versa, making the name a worthy candidate for a portfolio that seeks to combat pandemic-induced volatility.

Of course, low beta or low volatility does not mean immunity from stock market crashes, corrections, bear markets, and all the sort. It merely means that AQN stock is able to modestly smoothen the bumpy ride en route to a rich retirement. Over a 40-year span, you can expect a fair share of market meltdowns, crises, and all sorts of negatives that are just a normal part of investing.

Moreover, with prospective returns likely on the lower end for the next decade, self-guided investors have the advantage of being able to pick the long-term winners from the losers. As a green energy kingpin that's still in the early innings of its growth game, I'd be willing to bet that Algonquin is one of the names that could emerge as one of the **TSX**'s next leaders.

Algonquin recently shed more light on its five-year capital plan, which is worth around $9.4 billion. Although COVID has slowed things down, Algonquin is not about to pull the brakes with its growth story. Looking ahead, management sees 8-10% worth of EPS compound annual growth through 2025, which, while 1% lower than original guidance is still pretty enticing.

The Foolish takeaway for dividend growth investors

With shares still off around 7% from 2020 highs, I'd look to accumulate shares of Algonquin here if you're looking for a stock that you can comfortably buy and forget for decades at a time. The dividend stock trades at 2.2 times book value, which is way too low for the calibre of sustainable (no puns intended!) long-term growth you're getting from the name.

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