RRSP Investors: The Top Stock to Buy, Hold, and Forget About

Description

January marks the time when investors start thinking about where to invest their annual Registered Retirement Savings Plan (RRSP) contributions. With an incredible run in growth stocks bringing valuations into the nosebleeds, one may be dismayed at the relative lack of value out there today.

The good news for investors is the TSX is chock full of great value picks right now. Among these, one of my top picks right now continues to be **Fortis** (TSX:FTS)(NYSE:FTS). This is a company that every RRSP holder ought to consider buying, holding, and forgetting about for the long term.

A rotation out of growth and into value could bode well for Fortis

I think 2021 could be the start of a growth to value rotation that looks to be forming. There are a number of catalysts that are aligning perfectly right now for this to take place.

Interest rates should stay lower for much longer, if one believes the rhetoric of central banks. This makes the dividend yields of many value companies like Fortis much more attractive. The depressed valuations Fortis has seen of late relative to the premium valuations other sectors have garnered is also noteworthy. This valuation gap between value and growth companies is approaching obscene levels. If we see valuations come closer in line with long-term historical averages, Fortis could be a big winner.

Therefore, companies with wide moats (or durable competitive advantages), bond-like yields, and decent growth rates could outperform. Companies with no earnings, poor balance sheets, and/or very risky growth propositions could be on the out. Time will tell, but I think too much capital has flown in one direction for too long to make this rotation not seem highly probable.

Bond-like yields one of the foremost investing theses for Fortis

Fellow Fool contributor Joey Frenette believes in the power of Fortis as a bond-proxy portfolio holding. He wrote: “Consider shares of Fortis, a regulated utility play that I view as a top bond proxy, rather than ‘risky’ equity. Shares of FTS currently yield 4% and is a great way to punch your ticket to a 2021 utilities rebound that I think we’re long overdue for.”

I couldn’t agree more. I think bonds are going to be out and high-quality dividend stocks (bond proxies) will be in for the foreseeable future. There’s no reason to own a long-term bond offering next to nothing in terms of yield. When one can buy shares of Fortis, which has a yield worth multiple long-term Government of Canada bond yields, it’s a no-brainer in my view.

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