Why Investors Should Buy This Top TSX Stock Today

Description

The utilities sector is one which has been undervalued for some time. Indeed, growth stocks have taken off, and other sectors have lagged behind. Investors seeking total returns have largely moved away from high-yielding sectors in favour of growth sectors.

That said, I'm going to discuss why the utilities sector is one which carries a lot of value right now. In particular, I'm going to talk about why I think **Fortis** (TSX:FTS)(NYSE:FTS) is among the best names in utilities today.

Growth likely to impress long-term investors

Those bent on finding short-term, quick wins won't like utilities. Indeed, companies like Fortis don't move in a parabolic way in the short term. Rather, these companies tend to provide long-term investors with a slow-and-steady upward grind in the mid- to high single digits every year.

I think the companies that will come out ahead in the utilities space are those that can maintain growth while managing their budgets and growing cash flows. Fortis fits this description perfectly. Indeed, Fortis has continued to provide some of the best-in-class growth in past decades relative to its peers. I expect Fortis to continue to grow its earnings in the mid to high-single digit range long term.

Fortis has one of the best management teams in the sector and has a proven ability to do generate this kind of growth. Accordingly, I think long-term investors should look at Fortis as a core utilities holding right now.

Yields have never been this attractive

Investors need to keep in mind that the bond and equity markets work together. Yes, these are two completely different asset classes. However, bond yields being so low should have an outsized effect on high-yielding equities like Fortis. To date, we haven't seen this materialize. Thus, I think a tremendous amount of potential exists for upward revaluation once the market comes to its senses.

In Fortis's case, investors need to keep in mind the dividend-growth prowess of this company. Fortis hasn't missed an annual dividend hike in nearly five decades. (That's decades, not years!). This is a dividend-growth machine. Accordingly, those with growing income needs in retirement can't go wrong owning Fortis for the next few decades.

Additionally, I think we're in the midst of a growth to value rotation in stocks. Companies like Fortis that provide excellent value and defensiveness have not been bid up as they should have in this low interest rate environment. As more capital flows out of high-growth stocks into slower-growth, long-term stocks like Fortis, I think these companies will do very well.

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TICKERS GLOBAL

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