



Why Fortis Stock Remains a Top Buy Today for Long-term Investors

Description

In this current market, not every dividend-paying stock is a good pick. Rising bond yields are diminishing the value dividend-paying stocks can provide.

Accordingly, investors will want to focus on long-term income holdings with growth potential. Specifically, companies that raise their dividends over time and provide capital appreciation.

In this context, I believe **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is one of the best income stocks today. Here's why Fortis remains one of my [top picks](#).

Dividend growth key to Fortis' ownership thesis

As far as dividend growth is concerned, few companies have been as consistent as Fortis. The company's raised its dividend each and every year for nearly five decades. That kind of track record is truly unparalleled today.

How has Fortis done this?

Well, Fortis has a business model which provides about as stable a growth trajectory as any investor could want. The company's regulated gas and electric utility contracts provide extremely predictable and stable cash flows. The company's dividend growth rate reflects the growth of its cash flows over time, which are generally pre-set and are, for all intents and purposes, about as "guaranteed" as investors can get in any business.

Fortis' forward dividend yield of 3.7% may not scream "high yield." However, it's the dividend growth rate I'd invite investors to consider with this stock. The company's raised its dividend at an average rate of more than 6% a year for the past five years. I expect mid- to high single-digit dividend increases to continue for the foreseeable future.

Bottom line

Fortis' value proposition is one that's easy to understand. It's about as defensive a play as investors could want. And for those nearing or in retirement, the increased income provided by this stock is something to be pursued.

I'm of the belief that we're going to continue to see a rotation toward stocks like Fortis for some time. The market is broadly overvalued, and Fortis provides total return potential that's reasonable. I think when investors do shift their focus to finding reasonable, predictable returns rather than speculative short-term moves, Fortis is a stock that will perform really well.

Accordingly, investors need to be patient with this stock. It's a core holding that can be added to over time on weakness. Additionally, it's priced relatively attractively right now.

Indeed, there are few stocks I'd recommend so vehemently right now. Fortis happens to be one of the select few "forever" holdings I'd recommend on the **TSX** right now.

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