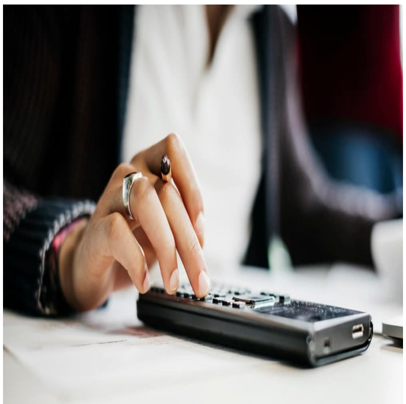

Forget Volatility: Buy These 2 TSX Stocks Now for Consistent Income

Description

The uncertainty over the pace of economic recovery, expensive valuation, and continued increase in COVID-19 infections are keeping the stock market volatile. While the volatility in most of the TSX stocks could remain elevated in the near term, a few could continue to sail smoothly and deliver regular income for their shareholders.

Let's take a look at two such low-risk stocks that could remain immune to the wild market swings.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a must-have stock to stabilize your portfolio and reduce the downside risk amid heightened volatility. The company's low-risk and diversified assets remain immune to the economic cycles and deliver predictable and growing cash flows. Notably, Fortis owns 10 regulated utility businesses and generates almost all its income from the regulated utility assets.

While Fortis's revenues are backed by regulatory mechanisms, the company expects solid growth in its rate base, which is likely to drive its high-quality earnings base. Fortis projects its rate base to increase by $10 billion over the next five years, reflecting a CAGR of 6%.

Thanks to its growing rate base and high-quality earnings, Fortis projects its dividends to increase by about 6% annually through 2025. It increased its dividends for 47 consecutive years and is offering a yield of 3.6%. With its conservative business, investments in infrastructure, growth opportunities in the renewable segment, and strategic acquisitions, Fortis could continue to deliver strong shareholders' returns.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN) (NYSE:AQN) is another top low-risk stock that could add stability to your portfolio and continue to deliver regular dividend income. Its majority of the output is contracted. Meanwhile, the weighted average life of these long-term contracts is 13 years, which is encouraging.

Notably, the company has consistently increased its earnings at a double-digit rate on the back of continued growth in its rate base. Algonquin Power & Utilities projects its rate base to increase by about 11% annually through 2025, which is likely to drive stellar growth in its adjusted EBITDA and net income. Further, its growing earnings suggest that the company could continue to hike its dividends at a healthy rate in future years.

Algonquin Power & Utilities's dividends increased at a CAGR of 10% in the past 10 years. Furthermore, the company announced a 10% increase in its dividends for 2021. The company's conservative business mix, strong balance sheet, growing regulated asset base, and strong earnings outlook make it a solid investment amid volatility. Algonquin Power & Utilities is offering an annual yield of 3.8%, which is very safe.

Bottom line

Fortis and Algonquin Power & Utilities operate a low-risk and regulated business that generates predictable cash flows and remains immune to the economic cycles. I believe the consistent growth in their rate bases, diversified revenue sources, opportunities in the renewable segment, and strategic acquisitions position them well to deliver stellar returns consistently.

I expect both Fortis and Algonquin Power & Utilities to maximize their total shareholder value through higher earnings and cash flows and increased dividend payments in the future.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)

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