3 Top Stocks for Low-Risk Investors

Description

It's wise to add a few low-risk stocks to your portfolio for stability. However, investing in low-risk stocks doesn't mean you have to be content with lower returns. A few low-risk stocks listed on the TSX have consistently delivered solid returns, thanks to their resilient cash flows. Let's take a look at three such low-risk stocks that have delivered a compound annual growth rate (CAGR) of more than 14% in the last three years.

Brookfield Renewable Partners

With strong sectoral tailwinds and high-quality business backed by long-term contracts, **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) is a solid stock for low-risk investors. Brookfield Renewable Partners stock has appreciated over 150% in three years, reflecting a CAGR of 35%. Also, this pure-play renewable energy company has boosted its shareholders' returns through increased dividend payments.

Brookfield Renewable Partners's diversified renewable assets, increased capacity, and robust developmental pipeline indicate that it remains well positioned to gain from increased demand for clean energy. Meanwhile, its long-term power-purchase agreements, inflation-indexation, and credit-worthy counterparties make it immune to the economic cycles.

Its dividends have a CAGR of 6% over the last decade. Moreover, its inflation escalators, margin enhancement initiatives, development pipeline, and focus on strategic acquisitions indicate that Brookfield Renewable Partners could continue to deliver stellar total shareholder returns in the coming years.

Algonquin Power & Utilities

Thanks to its regulated assets, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is a solid bet for investors seeking solid returns with lower risk. It owns high-quality utility assets that generate predictable cash flows. Further, the majority of its power output is contracted, which is encouraging.

Algonquin Power & Utilities stock has gained over 60% in three years, reflecting a CAGR of about 16.9%, despite operating a low-risk business. Furthermore, its dividends have a CAGR of 10% in the last 11 years.

I expect the company's regulated assets, power-purchase agreements, and rate base growth to support its earnings and cash flows and, in turn, drive its stock higher. Further, strategic acquisitions and increased renewable power capacity will likely accelerate its growth. Meanwhile, Algonquin Power & Utilities will continue to enhance investors' returns through increased dividend payments.

Fortis

Utility giant **Fortis** (TSX:FTS)(NYSE:FTS) is a must-have low-risk stock in your portfolio. Its diversified and low-risk assets generate high-quality earnings, drive its dividend payouts, and lower downside risk. Fortis stock has grown at a CAGR of over 14% in the last three years. Furthermore, it has consistently hiked its annual dividends (47 years in a row).

I expect its diversified and regulated utility businesses and rate base growth to continue to drive profitability and support the uptrend in its stock. The company expects its rate base to increase at a CAGR of 6% over the next five years, which will likely drive incremental earnings. Further, its focus on revenue diversification and increasing renewable power capacity bode well for future growth.

I expect Fortis stock to chug along nicely and boost shareholders' returns through higher dividends. The company projects a 6% growth in its annual dividends over the next five years and currently yields about 3.8%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. NYSE:FTS (Fortis Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
6. TSX:FTS (Fortis Inc.)

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