Millennials: 2 Socially Conscious Stocks to Buy Now

Description

Millennial investors can really make a difference with their investment dollars without sacrificing on the returns front. If anything, high ESG ratings are correlated with the value of a company. And firms that pro-actively push to improve from an environmental and social responsibility perspective could be rewarded with higher multiples than those that don't draw much attention to such ESG factors.

It's not just millennials or Gen Z investors that can get in on ESG investing. Many older investors also desire to be on the right side of change. Indeed, it all starts with everyday retail investors' investment dollars and votes.

In recent months, stocks have been in free fall, with almost everything marked down in a hurry. Though it's hard to tell what the second half of the year holds, millennials should continue to stay the course and insist on excellent companies that continue to better themselves, even as the market waters turn against them.

In this piece, we'll check out two socially conscious stocks that look undervalued and ready to charge higher over the next 18 months.

Algonquin Power & Utilities

First up, we have **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), a renewable power and utility firm that's gone virtually nowhere over the past three years. The stock took a significant hit from the COVID pandemic and is now back on the descent over what could be a rate-fueled recession.

Higher rates don't bode well for firms that need to borrow to fund ambitious projects. Algonquin's renewable plans have been impacted by the hostile environment; the new valuation seems too cheap relative to the magnitude of dividend growth that could be on the horizon.

The stock trades at 26.5 times trailing earnings, with a juicy 5.5% dividend yield.

BMO MSCI Canada ESG Leaders Index ETF

For those seeking a passive play, **BMO MSCI Canada ESG Leaders Index ETF** (TSX:ESGA) is a great pick after falling more than 20% from peak to trough. The ETF is a relative newcomer on Bay Street, but is a great pick for new-age ESG investors who don't want to have to sift through sustainability reports to make the most difference with every invested dollar.

The ESGA is a growth-oriented fund that seeks out Canadian companies with a track record of social responsibility. The big Canadian banks make up a big chunk of the portfolio, while energy comprises around 11-12%.

Upon first glance, the ESGA seems to be quite similar to your run-of-the-mill, Canadian-focused mutual fund. The top 10 holdings are major blue chips found in most other mutual funds. The major difference is the overall sector exposure. Energy, which is heavy on the TSX, is quite light in the ESGA. And a vast majority of the exposure is from responsible midstream operators.

The Foolish bottom line

The ESGA and Algonquin stock are two great socially responsible stocks for millennial investors who have yet to put their latest TFSA contribution to work. The ESGA is great for passive investors, while Algonquin is an intriguing contrarian buy for those looking to ride the green energy tailwind that will outlast the coming economic downturn.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:ESGA (BMO MSCI Canada ESG Leaders Index ETF)

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