



Renewable Energy Stocks Are Soaring: My 3 Top Buys for 2021

Description

The technology and renewable energy sectors didn't let a global pandemic slow them down in 2020. Both sectors saw a surge in performance as investors are becoming increasingly bullish on the growth potential.

Of the two sectors, most investors would likely argue that technology had a better year than renewable energy. Canadians witnessed an impressive amount of tech stocks turn into multi-baggers in a span of less than a year.

It's possible that the [rise in tech](#) last year caused significant changes to your portfolio's sector allocation. After the strong bull run in 2020, tech stocks may now make up a larger percentage of your portfolio than you'd like. That's definitely not the worst problem in the world to have, but nonetheless, it will likely still need to be addressed.

Keep buying renewable energy stocks

To kick off the new year, two of my top priorities will be to relax my allocation towards tech stocks and increase my exposure to renewable energy stocks.

Both the tech and renewable energy sectors far outpaced the returns of the broader Canadian market in 2020. Most investors are bullish on the long-term growth potential for both sectors, and good for reasons.

With tech now accounting for too high of a percentage in my portfolio, I've added three top renewable energy stocks to my watch list for 2021.

The market-leading renewable energy stock

At a market cap of \$15 billion, **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is one of the world leaders in the sector.

One of the reasons that investors are so bullish on this renewable energy stock is due to the ownership.

Over 60% of the company is owned by its parent company, **Brookfield Asset Management**. The asset management company is one of the largest in the world and most of its subsidiaries own a winning track record.

Brookfield Renewable Partners is a leader in the sector because it is well diversified within its geographic footprint and its portfolio of renewable power facilities. The company focuses primarily on hydroelectric, wind, and solar energy sources.

In 2020, the renewable energy stock grew its share price by close to 75%. While growth like that may not be sustainable in 2021, the company is projecting to earn shareholders a growth rate between 12-15% over the long term.

In addition to providing market-beating growth potential, Brookfield Renewable Partners offers a [dividend](#) yield of close to 3% at today's stock price, and it's growing at a rapid pace too. Management is expecting to continue to grow the distribution at a rate between 5-9%.

If there's one stock you want to own in the renewable energy sector, it's Brookfield Renewable Partners.

The renewable energy basket

Northland Power ([TSX:NPI](#)) and **Algonquin Power and Utilities Corp** ([TSX:AQN](#))([NYSE:AQN](#)) are two renewable energy stocks that Canadian investors will want to consider if they're looking to broaden their exposure in the sector.

Northland Power boasts a diversified product line. It produces electricity from hydro, wind, and solar renewable sources from facilities residing primarily in Canada and Europe.

In 2020, the \$9 billion company delivered growth of 70% to its shareholders, not including dividends. At today's stock price, the annual payout of \$1.20 per share is good enough for a yield of above 2.5%.

The company has been aggressive in the past with its acquisition strategy. Management is banking on that strategy to help continue to drive market-beating growth for its shareholders.

Algonquin Power and Utilities differs slightly from the other two renewable energy stocks. It is both a renewable energy company as well as a utility provider. As a result, the company has a much more predictable income stream, making it more of a defensive stock that can help lower volatility in a portfolio.

In 2020, the stock managed to grow just 14%, which pales in comparison to the other two stocks. That said, it still managed to outperform the Canadian stock market, which was basically flat on the year.

While Algonquin Power and Utilities may lack growth, it partially makes up for it with its dividend. At an annual dividend of \$0.80 per share, the stock is nearing a yield of 4% at today's stock price.

CATEGORY

1. Energy Stocks
2. Investing

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1. algonquin power
2. AQN
3. BEP
4. brookfield asset management
5. brookfield renewable partners
6. energy
7. energy stocks
8. northland power
9. NPI
10. renewable energy
11. renewable energy sector

TICKERS GLOBAL

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

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