3 Dividend Stocks the Pros Hold

Description

When searching for stocks, it can sometimes be a good idea to look at what the top funds hold. By copying their ideas, you can get the same performance without paying the high fees.

What you'll typically find is that most funds hold relatively uncontroversial names (i.e., stocks they won't be fired for choosing) — which is often exactly what you should be looking for, too. Below are three stocks held by numerous dividend funds that you should consider.

1. TD Bank

TD Bank (TSX: TD)(NYSE: TD) is not only one of Canada's most respected banks, but also one of Canada's most admired companies. It famously avoided the subprime housing bubble in the United States, has an excellent retail banking franchise in Canada, and has given its shareholders excellent returns in recent years. In the most recent quarter, it once again delivered some excellent numbers.

Unfortunately, its shares are not particularly cheap, trading above 14 times earnings, which is higher than the other big five banks. Likewise, the dividend yields only 3.24%; you can get a better yield by going with any of TD's large rivals. But if you're a long-term investor looking for a reliable payout, TD remains a good option.

2. Suncor

It's no wonder that **Suncor** (TSX: SU)(NYSE: SU) is held in so many dividend funds. As Canada's largest energy company, it makes up a large part of the index; if a fund manager doesn't hold Suncor, he or she risks underperforming severely if the company's shares do well.

But there are other reasons to hold Suncor. The company has been benefiting from an easing in transportation bottlenecks, recently posting record results in the first quarter of 2014 — cash flow from operations was up 26% year over year. Looking ahead, Canada's energy producers stand to benefit further as new pipelines open, refinery capacity is added, and crude by rail gains relevancy.

While investors wait for all this to play out, they can enjoy Suncor's recently increased dividend, which now yields 2.2%.

3. Telus

Telus (TSX: T)(NYSE: TU) is one of Canada's strongest dividend champions. After two dividend increases in 2013, the stock now yields 3.5%, and the future only looks brighter from here. Telus is also aggressively buying back stock; last July, it doubled its share buyback program to $1 billion, which of course boosts earnings per share and makes future dividend increases easier.

Telus is also a best-in-class wireless operator, with excellent average revenue per user numbers and low churn rates (meaning customers seldom leave). This makes the company's earnings especially high-quality, and should make any dividend investor sleep a little bit easier.

Don't overdo it

In investing, there is an expression called "following the herd", which means blindly mimicking everyone else's stock picks. This is not what you want to do, because the herd is often going in exactly the wrong direction. You still want to do your own research, but these three names are a great place to start.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. NYSE:TU (TELUS)
4. TSX:SU (Suncor Energy Inc.)
5. TSX:T (TELUS)
6. TSX:TD (The Toronto-Dominion Bank)

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