



4 Top Dividend Growth Stocks Yielding up to 4.7%

Description

If I had only one metric by which to make an investment decision it would be this: a growing dividend payment.

A growing dividend is one of the most valuable characteristics a stock can have. Few things generate more confidence about the strength of the underlying business than rising distributions. For those of us that rely on dividend income to pay the bills, increasing dividends are absolutely essential to keep up with inflation.

That's why I'm always on the lookout for monopoly-like businesses with lots of growth potential and low payout ratios. These four companies combine strong business prospects with plenty of upside room in their dividends.

Bank of Nova Scotia

You can never go wrong adding a Canadian bank like **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)) to your portfolio. Thanks to the industry's oligopoly structure and government regulations, it's difficult for new entrants to eat into margins. Bank of Nova Scotia stands out among its peers because of its international diversification and expansion into new businesses like wealth management.

Over the past five years, the company has increased its dividend at a 5.5% compounded annual clip. Given that management has gotten into the habit of raising its payout every other quarter, shareholders can count on another hike later this summer.

Fortis

Fortis ([TSX: FTS](#)) is Canada's largest investor-owned utility, with about 2.4 million gas and electricity customers. About 90% of the company's business is regulated, allowing shareholders to lock in steady, predictable returns. The remainder of Fortis' assets are in faster-growing industries like hotels and real estate in eastern Canada.

Fortis typically delivers a Christmas bonus to shareholders every year, raising its dividend every

December. In fact, the company hasn't failed to increase its payout to investors in over four decades. And while recent payout bumps haven't topped 4% in a number of years, some analysts see the pace of dividend hikes accelerating following \$6 billion in new growth spending.

Brookfield Infrastructure Partners

Brookfield Infrastructure Partners ([TSX: BIP.UN](#))([NYSE: BIP](#)) gives you a stake in dozens of infrastructure monopolies around the world — utilities, toll roads, pipelines, railways, and ports.

Without these assets, our modern society would screech to a halt. And because of the company's critical function, the firm has been able to deliver double-digit annual dividend growth for shareholders in recent years. Today, the stock yields a hearty 4.7%.

Shareholders can count on more of those hikes in the years to come for a couple of reasons. For starters, the company has \$5 billion of potential organic growth projects under consideration. And today, the company is only paying out about 60% of its funds from operations. That's the lower end of management's long-term target range of 60% to 70%.

Canadian Natural Resources

Don't be dissuaded by the stock's measly 2.2% yield. **Canadian Natural Resources** ([TSX: CNQ](#))([NYSE: CNQ](#)) has one of the best production growth profiles in the large-cap North American energy sector. Thanks to rising production and the completion of its Horizon oil sands project, the company's annual free cash flow is projected to grow fivefold over the next four years to \$5.5 billion.

Much of that cash flow will be returned to shareholders in the form of rising dividends and share buybacks. Over the past five years, the company has increased its payout at a 38% compounded annual clip, including a 12% dividend hike in March. With more bumps likely to come, shareholders can count on a growing stream of dividend cash flow.

The bottom line: Dividend growth isn't the only factor to consider when evaluating an investment. But growing dividends provide both regular income and insight on the strength of the stock's underlying business. That's why you will never go too far wrong by buying wonderful businesses with steadily growing dividends.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:FTS (Fortis Inc.)

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