



## The Safest 5% Yield on the TSX

### Description

[Bell BCF 2](#) or type your own. In my years of investing, I have found that it's not the risky junior mining firms or high-flying technology start-ups that make investors the most money.

Rather, the most successful companies are the ones that we see every day — businesses that operate not in quarters or years, but decades and centuries.

Case in point: **BCE** ([TSX: BCE](#))([NYSE: BCE](#)).

The company's roots go back to 1880, when the Bell Telephone Company of Canada was incorporated by an act of Parliament. Bell was tasked with constructing telephone line alongside all public rights-of-way in Canada. On February 14, 1916, at a banquet in Montreal, a call was placed to Vancouver — the first trans-Canadian telephone call.

Today, under the name of Bell Canada Enterprises, the firm has come a long way from a mere telephone service provider. The company now delivers a wide range of products and services, including wireless communications, internet access, and satellite television. BCE's business empire includes well-known names like Maple Leafs Sports and Entertainment, CTV, TSN, the Montreal Canadiens, and the *Globe and Mail*.

And here's the thing: The company's telecommunication network is virtually impossible to regulate.

Perhaps the most obvious foil is government regulation, which can limit or even bar new competition through licensing and permits. Canada's big three telecoms — **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)), **Telus** ([TSX: T](#))([NYSE: TU](#)), and BCE — have already locked down the best wireless spectrum. Without access to the airwaves, a new competitor could never emerge.

Strong brand awareness also creates a barrier because new competitors are forced to spend additional time and money to overcome existing customer loyalties. Similarly, the big three have cost advantages not available to potential competitors regardless of any new entrant's size. The incumbents have access to the cheapest materials, lowest borrowing costs, and best retail locations.

Perhaps the biggest advantage BCE has is this: the sheer cost to reproduce its network. When Warren Buffett is considering an investment he asks himself this question: "Give me a billion dollars and how much can I hurt the guy?"

In the case of BCE, a billion dollars would do little to hurt the company. Its mobile broadband network, which covers 98% of Canada's population, would cost tens of billions to recreate, and no amount of money could reproduce a loyal fan base like the Montreal Canadiens or the Toronto Maple Leafs.

Of course, the true test of a wonderful business is how well it fares during times of uncertainty. BCE managed to increase its dividend during the financial crisis in both 2008 and 2009. The company's distribution has grown ninefold over the past decade.

Today, the stock yields an impressive 5%. While there are no sure things in investing, BCE is likely to continue delivering dividends to shareholders in good times and bad. That's why this stock should be a core position in any income portfolio.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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