Can Either of These Dividend Stocks Reach $40 Per Share?

Description

It's been a wonderful year for the Canadian stock market, and investors have enjoyed some nice gains. That does leave one problem, though. Cheap stocks are harder to find than ever, and if you're looking for a decent dividend yield, that often means taking some undue risk.

That being said, two companies in particular have lagged the index, both now trading in the low $30s. They have a couple of other things in common — they're very good at what they do, and they pay a nice dividend. Should you add either of them to your portfolio? Below we take a look.

1. Fortis

Fortis (TSX: FTS) is the largest investor-owned distribution utility in Canada. It also may be the most boring stock on the entire TSX — but if you're looking to protect your money, this is not such a bad thing.

Utilities in general are known to be a relatively stable sector — after all, we all need to keep the lights on, even when the economy is struggling. However, Fortis in particular has been a solid operator, and as a result has raised its dividend every year for the past four decades.

Yet in the past year, rising interest rates have made its dividend less attractive, and consequently the shares have lagged. Over the past 12 months, the shares have returned only 7% including dividends, while the TSX has returned close to 20%.

As a result, its shares now yield 4%, not bad for a company with such a stable dividend. As that dividend gets raised, the shares may just rise with it.

2. Cenovus

Cenovus (TSX: CVE)(NYSE: CVE) is arguably Canada's most efficient oil producer, yet the company has struggled somewhat over the past year, mainly at its Foster Creek operations.

This is the main reason why its shares have badly lagged its peers over the past year. However, this is still a best-in-class operator, and the shares now yield 3.1%.

There are two great things about owning an efficient, low-cost operator like Cenovus. One is that it reduces the risk involved; even if the price of oil drops considerably, Cenovus will still make an acceptable return. The other is that the company will have little trouble compounding in value. If you're willing to hold onto the shares for a while, the odds are in your favour.

If you're looking for solid, reliable dividends, Fortis is still the better option. However, if you're looking to spice up your portfolio with a strong energy name too, then Cenovus is a great way to do so.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)
3. TSX:FTS (Fortis Inc.)

Category

1. Investing

Date
2025/07/26
Date Created
2014/06/26
Author
bensinclair