3 Dividend Stocks the Rally Missed

Description

Buying wonderful businesses when they are out of favour can be a profitable strategy. Unfortunately, bargains can be hard to find with the broader stock market surging.

Not every company is trading at nosebleed valuations, though. I've identified three dividend stocks whose shares have been lagging the market for one reason or another. All three generate solid cash, sport above-average yields, and have solid dividend track records.

Now, I'm not predicting that any of these names could suddenly rally. However, I do expect shareholders will continue to be rewarded with a growing stream of dividends in the coming years. It's only a matter of time until the share prices catch up.

1. Pan American Silver

Pan American Silver (TSX: PAA)(NASDAQ: PAAS), like much of the rest of the mining industry, has been disappointing for shareholders. Thanks to plunging metal prices, the company has written off billions in assets, deferred new projects, and posted millions of dollars in losses.

Yet in spite of these ugly headlines, a number of things are going right at the company. Last quarter, silver and gold production grew 5% and 43% year over year respectively. The company's continued focus on cutting expenses is also boosting the bottom line, with cash costs per silver equivalent ounce falling 20% versus the same period last year.

Pan American was also one of the few precious metal miners not to cut its dividend, leaving the stock with a tidy 4% yield. This payout looks sustainable given that the company has $394 million in cash in the bank and is generating solid cash flow.

2. Cameco

Uranium miners like **Cameco** (TSX: CCO)(NYSE: CCJ) have been left for dead. The struggling sector has been looking for a bottom since the Fukushima disaster in 2011. Since then, some of the biggest European countries have announced plans to cut their nuclear energy programs, leaving uranium prices in the dumps.

However, uranium prices can't remain this low forever. Today, miners are losing money on every pound of uranium they take out of the ground. At these rates small producers will go bust, big producers will shut down mines, and no one will invest in future production. That sets the stage for a potentially massive supply shock.

It might sound odd, but this is exactly the right time to invest in any commodity business. When the dust settles, it will be only the largest producers like Cameco that have the size and scale needed to survive. In the meantime, investors are being paid a respectable 1.9% dividend yield.

3. Rogers Communications

Rogers Communications (TSX: RCI.B)(NYSE: RCI) has been passed over by investors and it's not hard to see why. The company is facing intense competition, its cable business is shrinking, and the number of wireless subscribers barely budged last quarter. Since the start of the year, the company's shares are off more than 10% even as the broader market continues marching higher.

Fortunately, new Chief Executive Guy Laurence has a strategy to reignite growth. He plans to improve Rogers' notoriously shoddy customer service, cut promotions to boost margins, and trim its executive headcount to boost efficiency.

While this plan plays off, shareholders are being well compensated. Today, the stock yields 4.3%, the highest in the company's history. Short-term struggles aside, the company is well positioned for long-term growth in the wireless business and its dividend will almost certainly rise in lockstep.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:PAAS (Pan American Silver)
3. NYSE:RCI (Rogers Communications Inc.)
4. TSX:CCO (Cameco Corporation)
5. TSX:RCI.B (Rogers Communications Inc.)

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