COMPANY NAME
Address | Phone | Link | Email

4 Core Holdings for Canadian Income Investors

Description

There doesn't seem to be an investor alive who doesn't like dividends.

Personally, I don't really care if an investment pays a dividend. Sure, I like to get paid, but I believe that there are other, more important factors to consider. I'm much more interested in a company's competitive advantage, or its return on equity, than I am in its dividend yield.

The good news is that most of the companies that exhibit those good qualities also pay dividends. Investors don't have to pick between companies that are high quality and companies that pay dividends. They can invest exclusively in stocks that have both qualities. Plus, many pay steadily increasing dividends, which is the holy grail for income investors.

Let's look at four of the best choices for Canadian investors looking for quality companies and solid dividends.

1. Telus Corporation

Telus Corporation (TSX: T)(NYSE: TU) is a terrific choice for a core holding. The company consistently produces good results, and has recently passed **BCE Inc.** (TSX: BCE)(NYSE: BCE) as the country's second-largest wireless operator.

Plus, the rest of the company is doing well. Recent results showed that television subscribers rose nearly 20%, and the company had solid results in its home phone and internet businesses as well. Customers seem happy too, constantly ranking the company's service as the best in the industry.

The stock trades at 19 times trailing earnings, and 16 times forward earnings. Not only does the stock currently yield 4%, but the company is also buying back enough shares that it's giving nearly 10% of its earnings back to shareholders on an annual basis. Investors have to be pleased with that.

2. Toronto-Dominion Bank

While I think all of Canada's banks will end up being good long-term choices for investors, **Toronto-Dominion Bank**

(TSX: TD)(NYSE: TD) remains one of my favorites in the sector.

It has a terrific retail brand. It pioneered a lot of positive changes for consumers — like staying open on weekends — and it just recently acquired the popular Aeroplan credit card from **Canadian Imperial Bank of Commerce** (TSX: CM)(NYSE: CM). The company is also the second-largest lender in the country. It has spent years investing in its consumer business, and the results are starting to show.

Plus, the company has significant exposure to the U.S. Approximately a third of its earnings come from its operations in the northeast part of the country, where it has become a big player. This U.S. exposure, plus the company's 3.2% yield, makes it a great hold for income investors.

3. Canadian Oil Sands Limited

The oil sands have already emerged as one of Canada's most important assets, and are likely to only get more valuable over time.

Which is why every long-term investor should have some exposure to the region in their portfolio. The obvious choice for income investors is **Canadian Oil Sands Limited** (TSX: COS) and its 5.8% yield.

Most energy companies are constantly on the lookout for more reserves, spending lots of money to find them. Canadian Oil Sands is sitting on about 40 years worth of energy. This frees up the company to return the majority of its cash flow back to investors, making that generous yield about as safe as you can get for an energy company.

4. Potash Corp. of Saskatchewan Inc.

Canada is also home to another hugely valuable resource, potash. The mineral is used as one of the main ingredients in the production of fertilizer, which is a necessity for every farmer in North America.

As the world's population swells, increased crop yields will be hugely important. This creates all sorts of opportunities for **Potash Corp. of Saskatchewan Inc.** (TSX: POT)(NYSE: POT), North America's largest producer of the mineral.

The business of mining potash is outstanding. Net profit margins have exceeded 25% in each of the last five years. The company is taking those profits and using them to reward shareholders, both its 3.8% dividend yield and with its share buyback program. Over the last year, 30 million shares have been eliminated.

As with Telus, this boosts the company's true yield and makes it more attractive to income-focused shareholders.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:T (TELUS)

4. TSX:TD (The Toronto-Dominion Bank)

Category

1. Investing

Date
2025/08/28
Date Created
2014/07/31
Author
nelsonpsmith