



## 3 Dividend Stocks I'd Buy With an Extra \$5,000

### Description

Once in a while, investors find themselves in the enviable position of having a bit of extra investment funds available. The money might come from a bonus at work, a gift from a family member, or cash made available by selling a stock that has gone overweight in the portfolio.

Here are the reasons why I would consider **Potash Corp./Saskatchewan Inc.** (TSX: POT)(NYSE: POT), **Cenovus Energy Inc.** (TSX: CVE)(NYSE: CVE), and **Manulife Financial Corporation** (TSX: MFC)(NYSE: MFC) as my picks for long-term holdings to provide both dividend growth and capital appreciation.

#### Potash Corp./Saskatchewan Inc.

Despite the volatility that has rocked the global wholesale market for potash during the past 12 months, Potash Corp. has held its ground and I think the company is poised to reward investors in a big way.

Global potash prices have probably bottomed. Last January, China signed a deal with Russian-producer Uralkali for \$305 per tonne. At the end of July, Oleg Petrov, Uralkali's head of sales, told Reuters a 10% price increase is likely when the new deal is signed in 2015.

In the spring, both Uralkali and Canpotex Ltd. signed deals to sell potash to India for \$322 per tonne. North American producers Potash, **Agrium Inc.** and **Mosaic Co.** own Canpotex Ltd.

Potash Corp. pays its dividend in U.S. dollars. The \$1.40 per share yields about 4%.

Its free cash flow should continue to grow as potash prices rebound. The company is also at the end of an extensive capital expansion program. This will make more cash available for shareholders.

Potash Corp. hiked its dividend by 500% during the past three years and more increases should be on the way.

#### Cenovus Energy Inc.

Investors often overlook Cenovus when they are considering companies with exposure to the Canadian oil sands. Cenovus is now beginning to show that it is ready to play with the big boys.

In its Q2 2014 earnings statement, Cenovus reported a 33% year-over-year jump in production. It also attained record levels of cash flow, with a 37% increase over the same period in 2013.

Cenovus is nearing the end of its current expansion phases at two of the company's core projects. Significant new production should come online at both the Foster Creek and Christina Lake facilities in the next two years.

Cenovus increased its dividend three times in the past three years. The current payout of \$1.06 yields about 3%. As production continues to increase, shareholders should see more upside for both the dividend and the stock price.

### **Manulife Financial Corporation**

Canada's largest insurance giant had a tough time during the financial crisis. It cut its dividend in half and raised \$2.5 billion in capital to shore up its balance sheet. Management has worked hard to right the ship, however, and Manulife is now back on track in a big way.

The company just spent \$4 billion to purchase the Canadian Assets of **Standard Life plc**. The deal has two components that investors should be excited about:

First, Manulife and Standard Life have set up a global arrangement to cross-sell each other's products. This should help Manulife in its efforts to grow its business operations in Asia. The deal should also be beneficial for its strong U.S. operation, John Hancock.

Second, the Standard Life operation in Quebec will significantly boost Manulife's presence in the province, where it has struggled to grow its business.

Manulife also recently increased its dividend by 19%. The current payout of \$0.62 per share is still a lot lower than the pre-crisis level but it is a step in the right direction. The distribution currently yields about 2.8%.

The dividend payout ratio is only 24% and given the Standard Life purchase, I believe Manulife will continue to increase the dividend each year going forward.

### **The bottom line**

I think investors with \$5,000 in extra funds and a long-term perspective will benefit from both dividend increases and share appreciation in all three of these companies. On a five-year outlook, the initial investment could double.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:MOS (The Mosaic Company)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:MFC (Manulife Financial Corporation)

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