The Top 10 Dividend Yields in the S&P/TSX 60

Description

The Dogs of the Dow is a simple investment process:

1. Buy the 10 highest yielding stocks in the **Dow Jones Industrial Average**.
2. Hold for one year and sell.
3. Do it all over again next year.

This strategy was popular back in the early 90s, and for good reason. The Dow Dogs have consistently beaten the market over decades. Plus it required less than an hour per year to pick the stocks.

Even today, the strategy is still producing solid returns. In nine out of the past 14 years, the Dogs have outperformed the Dow Jones Index. And the Dogs are on track to produce another round of market-beating profits again this year.

Why does it work? The Dogs of the Dow is essentially a value strategy. A high yield indicates that a stock is out of favour with investors… and that's usually the right time to scoop up shares.

That said, could we apply this same philosophy to the Canadian market? Actually, we can. And like the Dow, we can use Canada's own large-cap equity index.

So, without stalling any longer, here are the Dogs of the **S&P/TSX 60**. Hmm… just doesn't have the same ring to it.

Company	Dividend Yield (%)	Market Cap (in billions)
Penn West Petroleum Ltd	13.8	$2.0
Canadian Oil Sands Ltd	9.6	$7.1
Crescent Point Energy Corp	9.3	$3.1
Enerplus Corp	7.3	$3.1
TransAlta Corporation	6.5	$3.1

Talisman Energy Inc	6.4	$5.7
Teck Resources Ltd	5.1	$10.2
Husky Energy Inc	5.0	$23.8
BCE Inc	4.6	$44.8
Potash Corp/Saskatchewan	4.6	$28.8

Source: Yahoo! Finance

These are not formal buy recommendations. However, there are some interesting names on this list. A screen like this can be a helpful place to begin further research.

Take **Husky Energy Inc** (TSX: HSE), for example. The company has a great collection of high-quality, low-cost oil assets across Canada. However, with the recent sell off in the energy patch, even well managed businesses like Husky have been hammered.

BCE Inc (TSX: BCE)(NYSE: BCE) is another great name for income investors. The company has increased its dividend 60% over the past five years. There're huge barriers to entering the Canadian telecom industry. That means shareholders can likely count on that payout to continue for decades to come.

However, income investing isn't as easy as picking stocks with the highest payout. Because yield and share prices move in opposite directions, a high payout could indicate that the business is in trouble. There's no guarantee the dividend will be sustained.

Case in point: **Penn West Petroleum Ltd** (TSX: PWT)(NYSE: PWE). To boost profits, the company is trimming costs and selling properties. The problem? Penn West has admitted that oil output will fall in the coming quarters. The dividend could once again be at risk with less cash flow.

Then there's **Crescent Point Energy Corp** (TSX: CPG)(NYSE: CPG). The company is focused on higher cost shale plays which usually require US$60 plus oil to be profitable. However, after the recent plunge in energy prices, it's no longer clear if Crescent Point can generate enough cash to maintain its payout.

A list like this is a great place to look for new income ideas. Just be sure to dig into the financial statements. You want to make sure you're buying a sustainable dividend.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:ERF (Enerplus)
3. TSX:TA (TransAlta Corporation)
4. TSX:TECK.B (Teck Resources Limited)
5. TSX:VRN (Veren Inc.)

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