Income Investors: 2 Top Dividend-Growth Stocks You Can Actually Rely on

Description

The Canadian market is serving up a lot of juicy yields these days, but volatility is also on the rise. Dividend investors who rely on the distributions for added income want to buy companies that will consistently increase their payouts, but also provide protection for the initial investment.

If you can get a bit of capital appreciation along the way, it's a bonus.

Here are the reasons why I think **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Metro Inc.**(TSX:MRU) are solid picks right now.

Royal Bank

With a market capitalization of $114 billion, Royal Bank is a formidable player in the financial sector.

As Canadian borrowers take on record levels of debt, banks are looking to diversify their earnings streams so they aren't completely reliant on domestic retail revenues.

Wealth management is one area of growth that produces healthy margins and Royal is making a big bet on that sector south of the border.

The company has signed a US$5.4 billion deal to acquire City National Corp., a California-based wealth management and commercial banking firm. The purchase gives Royal a great platform to expand its U.S. wealth management operations and diversify away from the Canadian market. Wealth management provided 12% of Royal's profits in 2014.

Other segments are also growing at the bank. Royal's capital markets earnings accounted for 23% of last year's total, and these operations will continue to play a big part in Royal's profit mix. The company is sometimes criticized for relying heavily on this division because it tends to be more volatile, but the returns are tough to argue with.

Royal has also focused on building a strong insurance business, which now provides 9% of profits.

The diversification strategy is obviously working because Royal delivered a record $2.4 billion in Q1 2015 earnings.

Royal pays a distribution of $3.08 per share that yields about 3.9%. The company's annualized dividend growth rate for the past decade has been about 11% and the stock has doubled in that time frame.

Metro Inc.

You might think the grocery and drug store business would be a tough place to make money, but Metro Inc. has proven that is absolutely not the case.

Competition for Canadian grocery dollars is certainly fierce, but Metro is one of the best-managed firms in the sector. The company operates more than 1,000 food and drug stores in Quebec and Ontario and has done a fantastic job of driving growth, despite the influx of competition from both domestic and international players.

In Metro's latest earnings statement it reported year-over-year net profit growth of 15.2%, hitting $111.6 million, or $0.43 per share.

This company has been a dividend-growth machine over the past two years. Since January 2014, the payout has increased by 40%. Capital appreciation has also been robust and investors should see continued strength moving forward.

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1. Bank Stocks
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