3 Diversified Dividend Stocks for Above Average Growth

Description

Investors looking for above average growth in income or capital gains don't need to look further than these three companies. They have a culture of paying a growing income via dividends to shareholders and have the earnings to support the raises.

First, there is **Canadian Utilities Limited** (TSX:CU), a high-quality utility with above average growth. Second, we have **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI), a railroad leader. Lastly, there's **Enbridge Inc.** (TSX:ENB)(NYSE:ENB), a leading pipeline.

Ticker	Price per share	Market Cap	Yield	S&P Rating
CU	$36.8	9.8B	3.2%	A
CNR	$73.7	59.2B	1.7%	A
ENB	$61	52.2B	3%	A-

All three companies have solid balance sheets with S&P credit ratings of A- or higher. Together, they offer a diversified income that grows at an above average rate.

Canadian Utilities

Canadian Utilities is one of the biggest utility holding companies in Canada. It owns regulated electric and gas distribution and transmission assets with close to 1.4 million retail customers. The utility also owns a wide array of unregulated energy infrastructure assets that helps contribute to its growth.

In fact, Canadian Utilities has a culture of sharing its profits with shareholders. It has raised dividends for 32 years at average growth rates between 8-10% in the past five years. Its last dividend hike was in the first quarter of 2015, coming in at 10.3%.

With a 49% payout ratio, the utility's dividend is sustainable. Thus, I have a strong belief it'll continue growing its dividend next year and after.

Canadian National Railway

After its 15% dip in price from its 52-week high of about $87, Canadian National Railway offers a safe way to grow your income at a double-digit rate. Some investors may be deterred by its relatively low yield compared with the other two. However, this is a company with valuable assets that aren't replicable. Its tracks reach the major metropolitan areas in Canada as well as major parts of the United States.

Canadian National has raised its dividend for 19 years in a row at a double-digit rate. While its last hike in the first quarter of 2015 was an amazing 25%, in the future it's more likely that it'll raise it closer to 12%, more aligned with its earnings growth.

Enbridge

Enbridge is a leader in oil transportation. The low oil prices haven't laid a scratch on Enbridge. It surprised shareholders by raising its dividend by 33% in the first quarter of 2015. We can expect higher payouts from Enbridge as the company aims to pay out 75-85% of earnings. Today, its payout ratio is at the lower end at 74%.

The target payout ratio range allows for the company to continue rewarding shareholders with a growing income while leaving enough capital for reinvesting into the business.

Going forward, Enbridge is likely to raise its dividends between 10-15%, more in line with its earnings growth.

In Conclusion

Canadian Utilities, Canadian National Railway, and Enbridge offer a diversified, reliable income stream that grows much faster than the inflation rate of 3-4%. As earnings growth allows for dividend growth, price appreciation of these essential companies will eventually come.

Otherwise, we would see ridiculously high yields. Actually, that could happen, but it won't last long. For example, in 2009 Canadian Utilities traded at $18 with a yield of 3.9%, which was historically high for the company.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:ENB (Enbridge Inc.)

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