2 Oversold Dividend-Growth Stocks for Your Income Portfolio

Description

Dividend investors are always looking for top companies that offer growing payouts and a shot at some capital appreciation.

The best companies rarely go on sale, but once in a while the market will offer up an opportunity to buy these stocks at discounted prices.

Here are the reasons why I think dividend investors should consider adding **Fortis Inc.** (TSX:FTS) and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) to their portfolios right now.

Fortis

Fortis is one of North America's premier electric and gas utility businesses. The company controls about $28 billion in assets spread out across Canada, the U.S., and the Caribbean.

Last year Fortis purchased Arizona-based UNS Energy for US$4.3 billion. The deal gives Fortis a more balanced footprint across the U.S. market and is already contributing to earnings.

Conservative dividend investors like the company because 93% of its revenue is generated from regulated assets. This provides investors and the company with predictable cash flows, and offers protection against volatility in energy markets.

The result is consistency in the company's distribution growth. In fact, Fortis has increased the payout annually for the last 40 years. The current dividend of $1.36 per share yields about 3.6%.

Management continues to evaluate opportunities to maximize shareholder value. The recent $430 million sale of the company's commercial real estate portfolio is a good example and shareholders could see a special dividend coming as a result of the move.

The stock has fallen 10% since the beginning of February and investors should see the pullback as an opportunity to start a position in the company.

TransCanada

The rout in the Canadian energy patch has been tough on all companies connected to the sector. Since hitting a high above $60 back in September, TransCanada's stock has fallen more than 12%.

The company is one of North America's premier pipeline, storage, and power generation businesses. Oil and gas producers are seeing their margins get pinched but most are still producing at near-record levels, and they need to get their production to the highest-priced markets.

TransCanada isn't particularly concerned about oil and gas prices. The company simply acts as a tollbooth to move commodities from the producers to their customers.

Most of the media attention around TransCanada is connected to its struggle to get approval for the northern section of the Keystone XL pipeline. Investors should look at Keystone as a bonus. The company's $12 billion Energy East project is more likely to get built.

TransCanada has $12 billion in small-to medium-sized projects going online in the next three years. This is good news for dividend investors because the company traditionally increases the distribution in step with the added free cash flow coming from the new assets.

TransCanada pays a dividend of $2.08 per share that yields about 3.9%.

Demand for energy infrastructure will continue to grow and investors should see decent returns for decades to come.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:FTS (Fortis Inc.)
3. TSX:TRP (TC Energy Corporation)

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