3 Canadian Dividend-Growth Champions for Every Portfolio

Description

Like my fellow Fools, I believe that dividend investing is one of the best ways to generate wealth. While it may not be as exciting as other forms of investing and requires considerable patience, it can accelerate the ability of investors to grow wealth and achieve financial freedom.

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An important aspect of dividend investing is to invest in those companies that have a long history of making reliable and steadily growing dividend payments. Companies that possess these attributes typically have wide economic moats and operate in defensive industries where demand for their products and services remains consistent regardless of the state of the economic cycle.

Now what?

My first Canadian dividend champion is midstream energy company **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). It possesses a business that is almost impossible to replicate and holds a leading position among North America's providers of oil transportation and storage networks. This gives it a wide multifaceted economic moat that protects its competitive advantage, and this, combined with its classic "tollbooth" business model, has made it extremely resilient to fluctuations in oil prices.

More impressively, it has paid a dividend for over six decades, which it has hiked for the last 20 straight years to give it a sustainable, tasty 3% yield.

I also expect Enbridge's earnings to continue growing, with it having embarked on the largest development program in its history; it is set to invest $44 million in expanding its pipeline network.

My next choice is electric utility **Canadian Utilities Ltd.** (TSX:CU). It has paid a dividend for over four decades and hiked that dividend every year since payments commenced in 1972. This gives it a juicy 3% yield, which is certainly sustainable with a payout ratio of 46% coupled with a solid multifaceted economic moat.

While there are plenty of Canadian companies with long dividend histories, in the interest of a creating a diversified portfolio, my final choice is **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI). Its dividend yield of 1.7% may not be spectacular, but it possesses an almost unassailable economic moat, protecting its competitive advantage and ability to grow earnings. This, along with a modest payout ratio of 27%, ensures the dividend remains sustainable.

More impressively, Canadian National has hiked its dividend every year since commencing payments in 1996, giving it an impressive compound annual growth rate of almost 17%. This is more than eight times the annual average inflation rate over that period and significantly exceeds the rate of growth of purportedly safer investments, such as government bonds or cash.

Canadian National also has another ace up its sleeve. As Canada's largest and only transcontinental railway, with its network stretching all the way to the U.S. Gulf coast, it is well positioned to benefit from the U.S. economic recovery. This will help to generate additional earnings to offset those lost because of weak Canadian economic growth and sharply weak oil prices, which will see demand for crude by rail diminish.

So what?

While the yields offered by each company are not particularly spectacular, each has a solid history of dividend growth. When coupled with their multifaceted economic moats, earnings growth remains sustainable. This, in conjunction with their growth prospects, makes each company a core holding in every portfolio.

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CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNR (Canadian National Railway Company)
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