Channel Your Inner Oracle With These 3 Buffettesque Dividend Stocks

Description

Last I checked, Warren Buffett was doing a few things right.

Buffett is the most successful investor in history. Over the last 60+ years, he's taken a small sum and grown it to more than $70 billion, constantly adapting the whole time. He started out as a deep-value investor, looking for fair companies trading at wonderful prices. Then, after meeting Charlie Munger, Buffett changed his tune and began looking at wonderful companies trading at fair prices.

The rest, as they say, is history.

These days, even though he is limited to the largest stocks in the world, Buffett's performance through **Berkshire Hathaway Inc.** is still pretty solid. Although he didn't do as well as the S&P 500 in 2014—only increasing Berkshire's book value by nearly 9% compared with 13% for the index—Berkshire's stock price still increased 27%, and that's after a 32% rise in 2013.

Fortunately for investors, the Oracle of Omaha is very generous with his advice. This makes it relatively easy for us to create a similar portfolio, even if the companies we choose are slightly different than the ones he might choose. Here are three Canadian companies that are Buffettesque investments.

Telus Corporation

If it wasn't for foreign ownership restrictions, I think Buffett would have more of an interest in Canada's telecommunications industry. It has everything he's looking for—solid profits, sustainable competitive advantages, and not much in upstart competition.

Probably the finest name in the sector is **Telus Corporation** (TSX:T)(NYSE:TU), which is rapidly taking away market share from competitors by spending to improve its network, offering attractive plans, and really investing in customer service. Unlike competitors, Telus gives its front-line agents the freedom to make decisions, avoiding the dreaded "May I speak to a supervisor?".

Plus, Telus' television service is still in its infancy, giving it by far the best growth in a sector where competitors are seeing slight declines as more people cut cable for good. Combine that with shares that are trading at just 15 times projected 2016 earnings and a dividend yield above 4%, and we have a pretty attractive forever stock.

Saputo

As time has passed, Buffett has evolved into less of a value investor and more of a growth-at-a-reasonable-price investor. Thanks to the recent sell-off in shares, I believe investors are getting access to **Saputo Inc.** (TSX:SAP) and its growth potential for a reasonable price for the first time in years.

Recent results were lackluster because of lower cheese prices. This caused competitors to be more aggressive in pricing, leading to lower margins for Saputo, who was then forced to match those prices. Management isn't exactly bullish on the price of cheese for the rest of the year either, leading to shares tumbling more than 10%.

But over the long term, Saputo looks to be a pretty terrific business. There's still ample opportunity for it to make acquisitions, since the dairy sector is pretty fragmented around the world. There's also a lot of potential in China, a market it can attack via its newly acquired Australian business.

Royal Bank

As evidenced by his investment in **Wells Fargo,** Buffett is a fan of buying high-quality banks at a reasonable price. I believe **Royal Bank of Canada** (TSX:RY)(NYSE:RY) fits that criterion today.

Where Royal Bank really shines is in the Canadian retail business. It has more than 1,300 branches across the country, filled with staff who are really good at cross selling. This has enabled the company to be either number one or two in the country in everything from mortgages to deposits to wealth management. If it's an important category in Canadian banking, chances are Royal Bank is near the top.

Investors are getting that quality at a reasonable price, too. Shares currently trade at just 12 times earnings, while paying a dividend of nearly 4%. Earnings are expected to pick up in 2016 as well, thanks to its acquisition of City National, a U.S.-based bank that caters to high-net worth clients.

The only issue with Royal Bank is perhaps Canada's housing bubble. But the vast majority of risky mortgages on the books are CMHC insured, protecting it against defaults.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TU (TELUS)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SAP (Saputo Inc.)
5. TSX:T (TELUS)

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