The Top 5 Canadian Stocks With the Longest Streaks of Consecutive Dividend Hikes

Description

With dividend investing being one of the most widely acknowledged means of achieving financial independence, it is fast attracting the attention of investors. An important part of building a reliable dividend portfolio is choosing those stocks with a solid history of paying steadily rising dividends, thereby maximising the compounding power of their returns.

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So, let’s take a closer look at the five Canadian stocks that have the longest streaks of consecutive dividend hikes.

Now what?

Diversified electric utility **Canadian Utilities Ltd.** (TSX:CU) takes first spot for the longest consecutive streak of dividend hikes, having increased its dividend for 43 straight years. The dividend now yields a sustainable and juicy 3.3%. It has been able to do this because it operates in a heavily regulated industry that has steep barriers to entry, thus giving it a wide economic moat. In addition to this, the demand for electricity remains unchanged because it powers our modern lives, virtually guaranteeing its future earnings.

Next up is **Fortis Inc.** (TSX:FTS), which has hiked its dividend for the last 41 consecutive years. It now yields a sustainable 4%. As an electric utility with the majority of its assets being regulated, not only are its earnings literally guaranteed, but so is growth as the population grows and the economy expands. This, along with its exposure to a strong U.S. economy, leaves it well positioned to continue growing its dividend.

Then there is **Canadian Western Bank** (TSX:CWB), which has boosted its dividend for the last 23 years, and now pays a 3% yield. While this may be an impressive history, the bank is facing significant headwinds due to the oil rout. Its business is primarily focused on the energy patch, with over 37% ofits mortgages located in Alberta and loans totaling $600 million to the oil industry. Investors also needto consider the impact on earnings due to its indirect exposure to oil prices, with higher unemployment, lower wages, and a weak housing market in the patch.

Fourth place goes to publisher, software and business services company **Thomson Reuters Corp.** (TSX:TRI)(NYSE:TRI). Despite being a cyclical consumer business that is exposed to the vagaries of the economy, it has increased its dividend every year for the last 21 years running. It yields a sustainable 3% and this run of dividend hikes should continue because of its exposure to a resurgent U.S. economy.

Finally, there is diversified utility **ATCO Ltd.** (TSX:ACO.X) which owns 53% of Canadian Utilities and has hiked its dividend for 21 straight years to now yield 2.5%. By virtue of its ownership of Canadian Utilities, it possesses many of the same characteristics, including a wide multifaceted economic moat. These similarities make it pointless to own both, and with ATCO trading with a price of 12 times earnings compared with Canadian Utilities' 15 times, it appears far more attractively priced. Nonetheless, its yield is almost a full percentage point lower than Canadian Utilities.

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So what?

Each of these companies, with the exception of Canadian Western Bank, should form a core holding in any dividend portfolio. However, in the interest of diversification, an important risk management tool, investors need to choose between Canadian Utilities and ATCO. The latter is my preference because of its more attractive valuation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. TSX:ACO.X (ATCO Ltd.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:CWB (Canadian Western Bank)
5. TSX:FTS (Fortis Inc.)
6. TSX:TRI (Thomson Reuters)

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