2 Top Dividend-Growth Stocks to Hold in 2016

Description

As we head into the closing weeks of 2015, many investors are beginning to reposition their portfolios for next year.

Dividend investors are especially concerned about where to put their money because many of the previous payout stars have become complete dogs, and the difficulties could continue right through 2016.

Here are the reasons why I think income investors should consider **Fortis Inc.** (TSX:FTS) and **Telus Corporation** (TSX:T)(NYSE:TU) for new dividend picks.

Fortis

Fortis operates electricity generation and natural gas distribution assets in Canada, the United States, and the Caribbean.

From the outside, this doesn't look like a very exciting business, but dividend investors want reliable growth right now, not entertainment. Inside the company, things have not been boring at all, and investors are reaping the rewards.

Fortis spent $4 billion last year to acquire Arizona-based UNS Energy. The integration of the new assets has gone well and the deal is already accretive. Fortis also just completed the expansion of a hydroelectric facility in British Columbia, which is also adding a nice stream of new revenue.

The company gets nearly all of its revenue from regulated assets, so cash flow and earnings should be very predictable.

Fortis just raised the quarterly dividend by 10% to $0.375 per share. The distribution now yields about 4% and investors should see regular hikes continue. The payout has increased every year for more than four decades.

Telus

Telus operates in an industry with few serious competitors, and that situation is unlikely to change.

In some cases, this could lead to a relaxed attitude towards client satisfaction, but Telus has made customer service a priority and that commitment is paying off.

Telus has the lowest mobile churn rate in the industry, which is very important now that three-year contracts have disappeared. The company also has a strong track record of getting customers to spend more on their monthly bills. In fact, the blended average revenue per user has increased for 20 straight quarters on a year-over-year basis.

The move to pick-and-pay TV packages has some analysts worried about the impact the changes could have on the Canadian telecom companies. Telus has avoided the temptation to enter the media market, so it doesn't carry the same risks faced by its media-heavy competitors that could run into revenue issues on some of their programming content.

Telus pays a quarterly dividend of $0.44 per share that yields about 4.2%. The company has increased the distribution 12 times in just the past five years.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:FTS (Fortis Inc.)
3. TSX:T (TELUS)

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aswalker