



Income Investors: These Dividend-Growth Champs Are Oversold

Description

Income investors are having a party right now.

The market pullback is serving up a yield bonanza, and investors who rely on dividends to supplement their income have a wide variety of stocks to choose from.

Super-sized payouts should probably be avoided because they come with higher risks and you don't want to step in just before the distribution gets a nasty haircut. There are, however, a handful of stocks with rock-solid dividends that are now trading at very attractive levels.

Here are the reasons why I think **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) should be on your radar.

Bank of Montreal

Investors who want to add a financial stock to their portfolios often ignore Bank of Montreal, but the company's balanced revenue stream makes it appealing in the current environment.

Here's why.

Bank of Montreal has a strong Canadian personal and commercial banking franchise. The group delivered Q4 2015 net income of \$561 million, up 7% from Q4 2014. That's a solid result given the headwinds facing the Canadian economy.

In the wealth management group, strategic acquisitions made in recent years are bearing fruit. Adjusted net income from the segment in Q4 2015 increased 8% compared with Q4 2014, hitting \$271 million. Assets under management rose by a healthy 9%.

Capital markets activities contributed \$243 million in net income during Q4 2015, up 27% compared with the previous year.

The crown jewel moving forward might be Bank of Montreal's U.S. operations. The company has more

than 500 branches serving two million clients in the United States and the recent acquisition of GE Capital's Transport Finance business should boost revenue and strengthen the company's commercial banking division. Adjusted net income from the U.S. group jumped 22% in the fourth quarter to \$221 million.

Bank of Montreal pays a quarterly dividend of \$0.84 per share that yields a safe 4.7%.

Enbridge

The meltdown in the energy space hasn't spared Enbridge's stock, but the sell-off looks overdone, and investors finally have a chance to buy this dividend-growth star at a very reasonable price.

Enbridge doesn't produce oil or gas; it simply charges a fee for moving the product from the producer to the customer. This means the volatility in commodity prices should have little impact on its business.

Enbridge has nearly \$38 billion in energy infrastructure projects under development with \$25 billion of the portfolio fully secured and expected to be in service by 2019.

That means cash flow and profits should rise in the coming year, which is good news for dividend investors. In fact, Enbridge plans to raise the distribution by a least 14% per year for the next three years.

With the current payout already offering a yield of 4.8%, investors should scoop Enbridge up while the market is still negative on the energy sector.

CATEGORY

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:ENB (Enbridge Inc.)

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