Dividend Investors: Do You Own These 3 Buy-and-Hold-Forever Stocks?

Description

I'm a big believer of keeping investing simple.

You've probably seen the convoluted research reports; the endless arguing about the tiniest minutiae on **Twitter** or on message boards; or the impassioned defense from both bulls and bears, each convinced the other is wrong. These can all help an uninformed investor make a decision, but at perhaps a big cost.

At the end of the day, much of it is noise. By getting bogged down in the smallest details, investors offer suffer from analysis paralysis. Even though a stock might be a great investment overall, they worry too much about things that don't really matter. Often, this results in investors missing out on great buying opportunities. Instead they're content to sit on the sidelines, letting the cash pile up.

Don't be one of those investors. I've yet to find an investor who regrets buying high-quality, blue-chip dividend growers. Here are three great choices to get you started.

CIBC

Really, any of the Canadian banks are a fine choice for a buy-and-hold-forever portfolio. They've all proven they have the ability to outperform during both good times and bad. So why am I choosing **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) over the other members of the Big Five?

There are a few things to like about CIBC. It trades at a lower valuation compared with its peers, coming in at 11.4 times trailing earnings. Its peers all trade at a minimum of 12 times earnings. Because of this low valuation, CIBC has the highest dividend of the Big Five, coming in at 4.7%.

One of the reasons why CIBC shares trade at a discount compared with its competitors is because investors fear the bank is too Canadian focused. Each of its larger brethren have significant exposure to areas outside Canada. CIBC doesn't.

I think this will change. CIBC has already started expanding into the United States via its wealth management arm. Look for further expansion in that area of the market, or perhaps the bank will just buy a small regional player.

In the meantime, investors can hold a stock that is up approximately 14% (including dividends) over the last year, shrugging off both oil-related credit worries and housing-bubble fears.

Extendicare

The gradual aging of the baby boomer population is a terrific investment theme, and I believe **Extendicare Inc.** (TSX:EXE) is the best way for Canadian investors to get exposure to it.

The company recently sold its U.S. operations, putting the cash back to work here in Canada. Major transactions included almost doubling the size of its home health business and spending $139 million to acquire 506 retirement living suites. The company also identified 21 different Ontario-based homes to redevelop–a move that will increase government funding per bed.

According to a recent investors' presentation, the company is slated to earn approximately $0.75 per share in adjusted funds from operations (AFFO) in 2016 as its new acquisitions add to the bottom line. Not only does that make the stock cheap on a price-to-AFFO basis, it also ensures the company's 6% dividend is well covered.

Cineplex

Often, investors identify a terrific stock that trades at a premium valuation. What should they do? Sometimes waiting is the best strategy. Other times, they need to just bite the bullet and pay the price asked, even if it seems like it's too much.

Investors in **Cineplex Inc.** (TSX:CGX) are currently paying a pretty high price for the company, which trades at nearly 26 times projected 2016 earnings. That's a lot, but the company is putting up growth numbers that are rare in the Canadian market these days. In 2015 revenue soared more than 10% compared with 2014 as the company's moves really paid off. *Star Wars* helped too.

Cineplex practically owns the movie theatre business in Canada, boasting an 80% market share. Its Scene partnership with **Bank of Nova Scotia** has been wildly successful. The company has also expanded to showing things like sporting events and video game tournaments on its big screens. Finally, advertisers pay generous sums to play their commercials on screens before the movie starts, knowing a captive audience is valuable.

If Cineplex can continue to innovate successfully, I'd bet investors five years from now won't be sweating the valuation paid today.

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TICKERS GLOBAL

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3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:EXE (Extendicare Inc.)

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