Investors: Ignore the Brexit and Buy These 3 Dividend-Growth Studs

Description

Markets started the day in turmoil on Friday, reacting to the news of the United Kingdom leaving the E.U.

Markets in Europe got absolutely clobbered on the news. The FTSE 100, Britain's benchmark index, fell more than 3% in trading on Friday. Markets on the continent did far worse with the CAC 40, France's largest index, falling more than 8%. Germany also suffered, with the DAX suffering losses of close to 7%.

Our side of the ocean has also been affected. As I write this, both the Dow Jones Industrial Average and the S&P 500 are down close to 3% in early trading. The TSX is down approximately 1.4% as overall weakness is partially offset by strength in gold stocks.

The nice thing about crashes like today is stocks with very little exposure to Europe are on sale. It gives investors a chance to pick up great companies on the cheap–dividend-growth stalwarts that will continue paying investors no matter how ugly a Brexit might get.

Investors should focus on this–not on tumultuous stock markets. Here are three stocks that look attractive on a long-term basis.

Power Financial

Power Financial Corp. (TSX:PWF) is a holding company that owns 67.4% of **Great-West Lifeco**, 61.2% of **IGM Financial**, and 50% of Parjointco, a holding company that holds a 55.5% interest in Pargesa, which is a holding company for various European stocks.

Power Financial is down more than 3% in early trading on the TSX as investors are concerned about its European holdings. But those holdings are tiny in comparison to the size of the company. Power's stake in Pargesa is only worth in the neighborhood of $2 billion. The value of the whole company is $21.8 billion. Thus, it sure seems to me the market is overreacting.

The company is cheap on a number of different metrics. It trades at a discount of approximately 20%

compared to the sum of its parts. It also sports a low trailing price-to-earnings ratio of 10.8, one of the best bargains in today's market. And best of all for dividend investors, it offers a yield of 5.2% with a solid recent history of dividend growth.

The company has a payout ratio of just over 50% of projected 2016 earnings, which means management should be able to treat investors to continued dividend raises.

National Bank of Canada

Although it doesn't get the attention that many of its larger peers do, there are plenty of reasons for investors to be bullish on **National Bank of Canada** (TSX:NA) over the long term.

Firstly, its valuation is cheaper than the sector average. Shares currently trade at 12.9 times trailing earnings and at 10.25 times expected earnings for 2016. Expectations for 2017 are even higher with earnings projected to hit $4.87 per share. That translates into a P/E ratio of just nine.

Secondly, the company has the best dividend yield of any large bank in Canada, sporting a yield of pretty much exactly 5%. Most of its peers barely hit a 4% yield. Dividend growth has been fantastic as well, averaging more than 10% annually over the last five years.

And finally, National Bank might have an upcoming catalyst. One of the reasons why it trades at a cheaper valuation is because it doesn't have much in the way of foreign exposure. I wouldn't be surprised if management changed that with a big acquisition.

Alaris

Alaris Royalty Corp. (TSX:AD) runs a fairly simple business. Alaris gives money to businesses in exchange for ongoing royalty payments, and 17 different companies have entered into such agreements with the company.

The beautiful thing about the royalty business is how easily it scales. Alaris will either borrow money or issue new equity and then gives that cash to a company in exchange for a royalty payment worth 10% or even 15% annually, usually with inflation protection built in. Expenses are low, which means plenty of excess profits for shareholders.

Alaris shares are fairly priced, trading at 15.6 times projected 2016 earnings. The company also pays an attractive dividend of 5.4%–a payout that has grown more than 13% annually since 2010.

CATEGORY

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TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:NA (National Bank of Canada)

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