

3 Great Dividend Stocks, 3 Different Sectors

Description

Many experts suggest that a diversified portfolio of dividend-paying stocks is the best way to achieving long-term investing success. Others, such as Warren Buffett, have gotten mighty rich by focusing on a few good bets in businesses and sectors they understand.

Who's right? They both are.

Countless studies have been conducted attempting to determine the ideal number of stocks for the average investment portfolio. Some have concluded as few as 12 stocks can get the job done while others believe 30 or more are needed to reduce the company risk present in a more concentrated portfolio.

The truth is, we'll never know the answer to this question. We do know that active managers tend to underperform their benchmarks and, these so-called professionals, on average, hold 90 stocks in their mutual fund portfolios.

Bigger isn't always better.

In fact, I'll bet you that these three stocks (plus a fourth wildcard thrown in for good measure) from three different sectors will outperform most portfolios over the next three to five years.

Consumer cyclical

There are stronger selections in this sector, but if you bear with me I think you'll understand why I'm recommending **Dorel Industries Inc.** ([TSX:DII.B](#)) as opposed to **Canadian Tire Corporation Limited** or one of the other larger stocks trading on the TSX.

I like Dorel because it [operates](#) in three different market segments: Sports, Home Furnishings, and Juvenile; all of which are in demand by consumers at different times in their lives. Growing its dividend by 10% annually over the past five years and currently yielding 4.1%, you'll do well with this Quebec stock in the long term.

Basic materials

Since Montreal-based **Intertape Polymer Group** ([TSX:ITP](#)) received a letter last November from activist investors calling for change at the packaging goods company, its stock's been on a bit of tear; it's up 27% as of July 20.

At the time, U.S.-based hedge funds FrontFour Capital LLC and Zelman Capital LLC estimated Intertape's shares were worth \$23 per share. Clearly, investors felt the same as shares now trade north of \$21.

Yielding 3.2% at the moment, Intertape is up 16% year-to-date and has generated a five-year

annualized total return of 58%. Think of it as a cheaper version of **CCL Industries Inc.**

Financial

Although I don't own any shares in **Alaris Royalty Corp.** (TSX:AD), I definitely admire its business model, which provides greater flexibility for its investee companies by structuring the monthly distributions based on the previous year's revenue. When they have a hiccup, Alaris shares in the pain.

Not only is it one of my favourite mid-cap stocks on the TSX, it's also what I consider to be the best publicly traded [private equity](#) firm in the country, and that's saying something given that **Onex Corporation** is one of the other options.

Currently yielding 5.5%, its stock is up 28% year-to-date, and although it hasn't done much of late, I expect big things over the long haul.

Wildcard

As most Canadian investors are aware, the TSX has a lot of energy and financial stocks listed on its exchange. Even the S&P/TSX 60, an index comprised primarily of Canada's largest public companies, has almost 60% invested in those two sectors.

So, I'm suggesting that you buy a fourth security—the **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#))—to fill in your portfolio. It yields just under 3%.

If you invest \$10,000 in each of these securities over the next five to 10 years, I'm confident you'll have significantly more than you do now.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:DII.B (Dorel Industries Inc.)
4. TSX:ITP (Intertape Polymer Group)
5. TSX:RY (Royal Bank of Canada)
6. TSX:XIU (iShares S&P/TSX 60 Index ETF)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/20

Date Created

2016/07/21

Author

washworth

default watermark

default watermark