2 Dividend-Growth Stocks for New Investors in 2017

Description

As 2016 come to a close, new investors are searching for top picks to add to their portfolios in 2017.

Let's take a look at why **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) might be attractive choices.

CN

CN is the only railway company in North America that can offer its customers access to three coasts. That's a powerful strategic advantage, and it's unlikely the situation will change.

Why?

Railway merger attempts normally run into significant regulatory roadblocks, and the odds of new lines being built alongside existing ones are pretty much nil.

CN still has to compete with trucking companies and other rail companies on some routes, so management is always looking for opportunities to reduce costs and improve efficiency.

The efforts are bearing fruit, as the company is widely viewed as the best-run railway in the industry with one of the lowest operating ratios.

CN is a very profitable business and tends to be generous when it comes time to share the spoils with investors. The company has a compound annual dividend-growth rate of about 17% over the past two decades and is aggressive when it comes to implementing share buybacks.

CN's stock has enjoyed a nice rally in the past six months, but investors with a buy-and-hold strategy should still feel comfortable owning the name.

A $10,000 investment in CN just 20 years ago would be worth $375,000 today with the dividends reinvested.

Enbridge

Enbridge is in the process of buying **Spectra Energy** for $37 billion. The deal will create the largest energy infrastructure company in North America with an enterprise value of roughly $165 billion.

The energy industry is going through a rough patch, and mega-pipeline projects are facing strong public resistance, so Enbridge is making the strategic acquisition to ensure it can deliver on its growth objectives while it waits for a recovery in the sector.

The company already has about $16 billion in near-term projects on the go, and Spectra will add an additional $10 billion to the portfolio.

As the new assets are completed and go into service, Enbridge expects cash flow to improve enough to support annual dividend increases of at least 10% per year through 2024. The current distribution provides a yield of 3.7%.

Long-term investors have done well with this stock. A $10,000 investment in Enbridge 20 years ago would be worth $334,000 today with the dividends reinvested.

Is one a better bet?

Both stocks are attractive long-term holdings and deserve to be in any new portfolio.

Earlier in the year, I would have made CN the first choice, but the big rally over the past six months has probably wiped out the advantage. At this point, it’s probably a coin toss between the two names.

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