TFSA Investors: 3 Top Dividend Picks to Navigate an Uncertain Market

Description

Canadian investors are looking at the frothy market and wondering which stocks are reliable picks for a buy-and-hold portfolio.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI), **Enbridge Inc.** (TSX:ENB)(NYSE:ENB), and **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to see why they might be solid choices when the market hits a speed bump.

CN

CN is one of those companies investors can truly buy and forget about for decades.

The industry has a wide moat, top-notch management runs the company, and the business kicks off carloads of free cash in good times and bad.

CN has an added advantage as the only North American rail company with access to three coasts, and that is unlikely to change.

Why?

Railway merger attempts tend to run into large regulatory roadblocks, and the odds of new lines being constructed along the same routes are pretty much nil.

CN still has to compete with trucks and other rail companies on some routes, so it works hard to ensure it is as efficient as possible. In fact, CN regularly reports an industry-leading operating ratio.

The company is generous when it comes to sharing profits with investors. Dividend increases have averaged more than 16% per year over the past decade, and CN has a long history of buying back shares.

A $10,000 investment in CN 20 year ago would be worth $394,000 today with the dividends reinvested.

Enbridge

Enbridge just closed its $37 billion acquisition of Spectra Energy in a deal that creates North America's largest energy infrastructure company.

The move positions the business for strong long-term growth, and investors should see solid dividend increases as a result of the combined near-term project portfolio. Enbridge now has about $27 billion in commercially secured projects under way that management believes will boost cash flow enough to support annual dividend growth of at least 10% through 2024.

That's on top of the current payout that already yields 4.2%.

Fortis

Fortis is also growing through acquisitions, including last year's US$11.3 billion purchase of Michigan-based ITC Holdings Corp., which is a major transmission company.

Management expects annual dividend growth to be at least 6% per year through 2021 as a result of the accretion from ITS and additional projects.

Fortis gets most of its revenue from regulated assets, and the company has raised its payout every year for more than four decades, so investors should feel comfortable with the outlook.

The current distribution provides a yield of 3.8%.

The bottom line

All three companies are proven buy-and-hold investments and can ride out any downturn that might be on the way in the broader market.

If you have some cash on the sidelines, these names should be on your radar when the next market dip hits.

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3. NYSE:FTS (Fortis Inc.)
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aswalker