



2 Energy Stocks Yielding 3-6% to Buy in May

Description

Buying and holding high-quality dividend stocks is the most powerful way to ratchet up the long-term returns of your portfolio. With this in mind, let's take a look at two top dividend stocks from the energy sector that you could add to your portfolio today.

TransAlta Renewables Inc.

TransAlta Renewables Inc. ([TSX:RNW](#)) is one of the world's largest owners and operators of clean energy infrastructure. As of March 31, it has ownership interests in 18 wind facilities, 13 hydroelectric facilities, eight natural gas-generation facilities, and one natural gas pipeline, which have a total generating capacity of over 2,600 megawatts and are located in Canada, the United States, and Australia.

TransAlta Renewables currently pays a monthly dividend of \$0.07333 per share, equal to \$0.88 per share on an annualized basis, and this gives it a yield of about 5.6% today.

On top of being a bonafide high yielder, TransAlta Renewables is quickly becoming a dividend-growth star. It has raised its annual dividend payment every year since its initial public offering in 2013, which puts its streak of annual dividend increases at three today. It has also stated that it will raise its dividend by 6-7% once its South Hedland Power Station in Western Australia is completed in the next couple of months, which would lead to 2017 marking the fourth consecutive year in which it has raised its annual dividend payment and also put it on pace for 2018 to mark the fifth consecutive year with an increase.

I think TransAlta Renewables is a great pick for dividend growth in 2019 and beyond as well. I think its very strong operational performance and its significant expansion potential, including the ~1,300 megawatts of potential drop down candidates from **TransAlta Corporation**, could allow its streak of annual dividend increases to easily continue into the 2020s.

TransCanada Corporation

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) is one of North America's largest owners and

operators of energy infrastructure. Its portfolio includes approximately 56,900 miles of natural gas pipelines, 2,700 miles of crude oil pipelines, natural gas storage facilities with approximately 653 billion cubic feet of capacity, and 16 power plants, which are located across Canada, the United States, and Mexico.

TransCanada currently pays a quarterly dividend of \$0.625 per share, equal to \$2.50 per share on an annualized basis, and this gives it a yield of about 3.9% today.

Like TransAlta Renewables, TransCanada has shown a dedication to growing its dividend, but it's a proven star rather than an up and comer. It has raised its annual dividend payment for 16 consecutive years, and its 10.6% hike in February has it on pace for 2017 to mark the 17th consecutive year with an increase.

TransCanada is a top pick for dividend growth going forward too. It has a dividend-growth program in place that calls for annual dividend growth at the upper end of 8-10% through 2020, and I think its continued growth of comparable distributable cash flow, including its 25.5% year-over-year increase to \$1.22 billion in the first quarter of 2017, and its organic growth initiatives, including its ~\$23 billion worth of near-term projects, will allow it to complete this program and extend it into the late 2020s.

Which of these top energy stocks belongs in your portfolio?

I think TransAlta Renewables and TransCanada Corporation represent two of the best long-term investment opportunities in the energy sector, so take a closer look at each and strongly consider making one of them a core holding in your portfolio today.

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2. TSX:RNW (TransAlta Renewables)
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