



2 Must-Have Stocks in a Canadian Dividend Portfolio

Description

Although the Canadian market, represented by **S&P/TSX Composite Index**, is largely composed of financials (35% of the index), energy (21%), and materials (12%), it doesn't mean your portfolio has to be.

In fact, if you're employing a dividend-investing strategy, it's best not to follow the index because dividends from the energy and materials sectors are generally not as dependable as, say, dividends from the utilities sector.

Canada's top dividend-growth stocks are utilities. Yet, utilities only make up 3.3% of the index. However, I think it's a good idea to have at least one top Canadian bank in a dividend-focused portfolio. On this topic, the index is overweight in banks because it has nearly 20% in the country's top four banks.

I believe all dividend portfolios must have at least one excellent utility and bank. However, there needs to be a balance for diversification purposes. I believe **Altagas Ltd.** ([TSX:ALA](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) are good investments today.



Altagas

Altagas is a decent value today. Although it's categorized as an oil and gas midstream company, it's actually more like a utility.

Other than processing and transporting gas, Altagas also has five regulated gas-distribution utilities which serve more than 570,000 customers and have the capacity to generate 1,688 MW of power from clean energy.

Since Altagas converted to a corporation, it has increased its dividend per share for five consecutive years at an average rate of 8.7% per year. Its monthly dividend per share is 6% higher than it was a year ago.

At about \$30 per share, Altagas trades at the lower end of its trading range based on its historical trading multiple in the last few years. In fact, the analyst at Bank of Nova Scotia believes the shares should be worth \$36 in a year. This target represents 20% upside potential. The utility also offers a big 7% yield.

Bank of Nova Scotia

Along with the other big banks, Bank of Nova Scotia has dipped from last year's spectacular run. At about \$76.60, it trades at a reasonable 2017 multiple of 11.8.

Analysts think it should be worth about \$85 in a year, which represents approximately 11% upside potential. The bank also offers a decent 4% yield which is supported by a 50% payout ratio.

Seventeen analysts at **Thomson Reuters** think the bank can grow its earnings per share by 10% per year in the next three to five years, which would be above average among its Canadian peers.

Investor takeaway

Both Altagas and Bank of Nova Scotia offer growing dividends and are good value investments today. Consider buying some today and more on any further dips.

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3. Investing

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