Investing for Total Returns? Try These 3 Stocks and Become a Dividend Aristocrat

Description

While income investors and retirees are primarily concerned about the monthly and quarterly distributions flowing through to their investment accounts, there are many investors out there who are investing in their long-term financial future — saving for a child's education, the purchase of a home or vacation property, or even just saving for a rainy day.

For these investors, income isn't enough to meet their investment objectives. They need a balanced return of income and capital gains to secure their financial future.

If that sounds like you, you may want to consider these three companies which are constituents of the **S&P/TSX Canadian Dividend Aristocrats Index** (INDEXTSI:TXDV), which is designed to capture sustainable dividend income as well as capital appreciation potential — both of which contribute to an investor's total return.

Cineplex Inc. (TSX:CGX)

Cineplex is Canada's largest movie theatre company with 165 locations and over 1,600 screens playing across the country, serving 75 million visitors each year. The company owns the brands Cineplex Cinemas, Cineplex Odeon, Galaxy, SilverCity, and Scotiabank Theatres.

If you've been to the movies in the past year, chances are it was a Cineplex theatre, as the company currently controls 78% of the market in Canada.

Cineplex shares today pay a healthy 3.1% dividend yield; what's more, the company increased its monthly distribution by 3.8% in January and increased it by another 3.7% this past month.

While some may question management's decision to raise the dividend given the company's payout ratio is already over 100%, Cineplex's balance sheet is in solid condition and should be able to support the payout going forward.

Dollarama Inc. (TSX:DOL)

Dollarama is a value merchandise company offering a variety of everyday consumer products and seasonal items at select price points up to a maximum of $4 per unit.

With headquarters in Montreal, Quebec, the company owns and operates over 1,000 corporate stores throughout each of the 10 provinces, including metropolitan areas, mid-sized cities, and small towns.

No one is buying Dollarama for its current payout; today's dividend yield on DOL shares is just 0.33%.

Rather, the allure of DOL shares is the dividend-growth potential.

The company increased its dividend payout by 10% this year following an 11% hike in 2016. With a sky-high ROE of over 250% and payout ratio of only 10%, Dollarama shareholders can look ahead to a long runway of future dividend increases.

Saputo Inc. (TSX:SAP)

Founded in Montreal in 1954 by newly landed Italian immigrants, Saputo has grown to become one of the world's leading dairy processors.

Saputo is the largest cheese, milk, and cream processor in Canada, one of the top three dairy processors in Argentina, and among the top four in Australia. In the U.S., Saputo ranks among the top three cheese producers and is one of the largest producers of cultured dairy products.

Saputo shares, which currently pay a yield of 1.4%, have enjoyed a nice run over the past few years, having risen from $28 to nearly $50 at one point last year. Since reaching those highs, shares have come back a bit and, on further weakness, could provide an attractive entry point.

Conclusion

The one thing these three companies all have in common is they each operate in what are pretty defensive industries and control a strong market position within those industries.

This means it's not very likely that any of these three companies will experience an extreme shock to their business that could put the dividend in jeopardy.

While there are many stocks out there that will pay a higher return on your investment today, if you are investing for the long term, the dividend-growth potential of these three companies could very well make you a dividend aristocrat one day.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:DOL (Dollarama Inc.)

3. TSX:SAP (Saputo Inc.)

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