Contrarian Investors: 2 Unloved Dividend Stocks to Consider Today

Description

Contrarian investors are always searching for beaten-up stocks that might be on the verge of a rebound.

Let's take a look at **Fairfax Financial Holdings Ltd.** (TSX:FFH) and **Canadian Natural Resources Limited** (TSX:CNQ)(NYSE:CNQ) to see if they are attractive picks right now.

FairFax

Fairfax owns a number of subsidiaries in the property and casualty insurance and reinsurance sectors, as well as investment management operations.

CEO Prem Watsa founded the company in 1985, and investors who'd bought the stock at that time have done extremely well. As of December 31, 2016, Fairfax's stock price had a compound annual growth rate of more than 18%.

Once in a while, even great companies hit a rough patch, and that appears to be the case with Fairfax in the past year. The stock is down more than 8% in 2017 and off 15% in the past 12 months.

What's going on?

Fairfax reported a $1.2 billion net loss on investments in 2016 due to the removal of its index hedges and the closing of some short positions in the wake of the U.S. election.

In the company's March 2017 letter to shareholders, Fairfax said the Trump win "changed the world" and forced it to switch its outlook on equity markets.

The loss was a rare misstep for the company, and the pullback might present a great buying opportunity.

Fairfax remains a solid pick, and the recent acquisition of Allied World Assurance Company shouldhelp drive better returns.

The stock pays an annual dividend of US$10 per share, which provides a yield of 2.2%.

Canadian Natural Resources

Canadian Natural Resources has done a good job of navigating through the oil rout in good shape, and management has taken advantage of the tough times to acquire strategic assets to drive future growth.

For example, the company bought a 70% position in the Athabasca Oil Sands Project earlier this year for more than $12 billion.

The move strengthens an already balanced asset portfolio that includes oil sands, conventional oil, and natural gas assets, and should provide long-term benefits, as long as oil prices stabilize above profitable levels.

Management raised the dividend by 10% earlier this year, supported by strong production numbers and improved operating costs.

The stock is down more than 10% in the past three months as investors continue to avoid the broader energy sector.

At the time of writing, the dividend provides a yield of 2.9%.

Is one more attractive?

If you are an oil bull and think energy prices are headed significantly higher in the medium term, Canadian Natural Resources probably offers more upside potential as a contrarian pick.

Otherwise, I would bet on Prem Watsa's solid track record and go with Fairfax today.

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1. Dividend Stocks
2. Energy Stocks
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2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:FFH (Fairfax Financial Holdings Limited)

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