8 Canadian Dividend-Growth Stocks to Add to Your TFSA as Interest Rates Rise

Description

The Bank of Canada raised interest rates for the first time in over seven years. It's likely that rates will continue to be on the upward trajectory, assuming that the U.S. and Canadian economies continue to show signs of strength.

Here are eight top stocks to own over the long term as interest rates continue moving up.

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC)

Manulife has a huge amount of momentum coming from its Asian segment, which is going to be a huge driver of growth going forward as the management team continues to partner with Asian banks to become an exclusive provider.

As interest rates rise, life insurance companies like Manulife will enjoy increased profitability thanks to its claim-reserved cash stockpiled in fixed-income products.

When combined with the promising Asian growth prospects and a fair valuation, Manulife is one of the top stocks to own in the long run as rates continue to move up.

Shares currently offer a 3.27% yield at a cheap 13.67 price-to-earnings multiple.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF)

Like Manulife, Sun Life also has a promising Asian growth segment and will enjoy the tailwind of rising interest rates over the next few years.

Sun Life has been making moves into developing markets such as India, the Philippines, and Vietnam, all of which are expected to see their middle classes grow by a substantial amount going forward.

Shares currently offer a 3.53% yield at a 11.74 price-to-earnings multiple.

Great-West Lifeco Inc. (TSX:GWO)

Great-West Lifeco is a financial services company that operates in Canada, the U.S., Europe, and Asia. The company has over 12 million customers and is one of the higher-yielding life insurance companies out there right now.

Earlier in the year, the company announced that it's cutting 1,500 Canadian jobs with the intention of putting the savings to digital technology to keep up with technological trends.

Shares currently offer a 4.15% yield at a 13.84 price-to-earnings multiple.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN)

Utilities are normally negatively affected by rising interest rates, but I believe Algonquin will continue to outperform over the next five years as the management team continues to grow its impressive portfolio of stable and unique assets.

For investors seeking stability, a high yield, and a growing cash flow stream, Algonquin and its 4.5% yield are too good to pass on. Shares currently trade at a 33.23 price-to-earnings multiple, which may seem expensive, but I believe the premium valuation is worth every penny considering the company's growth prospects and the fact that it's one of the few ways for Canadians to invest in water utilities.

Canadian National Railway Company (TSX:CNR)(NYSE:CNI)

CN Rail is one of the best dividend-growth stocks on the TSX. As rates rise, so will the strength of the Canadian economy. That means more business for CN Rail, and it's very likely that the magnitude of dividend increases will improve.

Shares currently yield 1.61% and trade at a 20 price-to-earnings multiple.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

The Canadian banks are big winners in a higher interest rate environment thanks to a large spread between federal rates and the rate paid to customers and an increase in loan profitability.

TD Bank has the largest U.S. presence of all Canadian banks and is well positioned to thrive as the U.S. economy improves.

Shares currently yield 3.75% with a 12.66 price-to-earnings multiple.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is the cheapest and most underrated Canadian bank out there. The management team is pushing to expand in the U.S., which will eventually solve the company's problem of being too domestically exposed.

CIBC has a huge portfolio of Canadian mortgages, and higher rates mean a greater risk for defaults, which is why shares are so cheap. I believe these concerns are overblown and shares are too cheap to ignore.

Shares have a 4.72% yield with a 8.96 price-to-earnings multiple.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

BNS is an internationally diversified bank that's poised to get a growth boost from its exposure to fast-growing emerging markets like Latin America.

Shares have a 3.93% yield with a 12.31 price-to-earnings multiple.

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