TFSA Investors: 5 Oversold Income Stocks That Could Take Off

Description

Canadian investors are searching for top dividend stocks and REITs to add to their TFSA portfolios.

Once in a while, the market provides an opportunity to pick up quality names at attractive prices, offering some nice upside potential to go with the high yield.

Let's take a look at five companies that might be interesting picks today.

RioCan Real Estate Investment Trust (TSX:REI.UN)

RioCan owns or operates 300 shopping malls across Canada.

Some investors fear the brick-and-mortar retail sector is headed for extinction, which is part of the reason RioCan's unit price is down this year. Department stores are certainly feeling the pinch, but RioCan has a diversified client base with no tenant contributing more than 5% of revenue.

Demand for the company's space remains strong, and RioCan is planning to accelerate its growth in six major markets. One key project is the residential development initiative, which could see 10,000 units built in the next decade.

In order to fund the developments and repurchase units, about 100 properties located in smaller markets will be sold in the next two or three years.

The company pays its distribution monthly and currently offers an annualized yield of 5.8%.

Inter Pipeline Ltd. (TSX:IPL)

IPL owns natural gas liquids (NGL) extraction assets, conventional oil pipelines, oil sands pipelines, and a liquids storage business in Europe.

The company has raised the dividend in each of the past three years and has used the downturn in the oil sector to acquire strategic assets at attractive prices.

The stock is down amid the broader pullback in the energy sector, but the sell-off looks overdone.

IPL's dividend provides a yield of 6.25%.

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

At just 10 times trailing earnings, CIBC's stock is trading at a hefty discount to its larger peers.

Investors are concerned the company's exposure to the Canadian housing market could result in big losses if house prices correct. A total meltdown would certainly be negative, but that isn't the way most analysts see the situation unfolding, and CIBC's mortgage portfolio is more than capable of riding out a significant downturn.

The company is well capitalized, and the dividend should be rock solid. The stock has recovered some of its losses, but more upside could be on the way, and investors can still pick up an attractive 4.7% yield.

Altagas Ltd. (TSX:ALA)

Altagas owns power, gas, and utility assets in Canada and the United States. The company has grown over the years through a combination of organic development and strategic acquisitions, and that trend continues.

The stock is down this year on concerns that Altagas might not sell some non-core assets for high enough prices as it raises funds to cover the $8.4 billion purchase of **WGL Holdings**.

Altagas plans to increase its dividend by 8% per year through 2021 once the WGL assets are integrated into the portfolio. The deal should close next year.

The current payout provides a yield of 7.3%.

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

Enbridge closed its $37 billion acquisition of Spectra Energy earlier this year in a deal that created North America's largest energy infrastructure firm. The company currently has $31 billion in near-term development projects on the go that should support dividend growth of at least 10% per year through 2024.

Rising oil prices could bring a flood of money back into the energy sector, and Enbridge's stock would likely benefit as a result.

In the meantime, investors can collect a 4.6% yield.

The bottom line

These stocks should be solid picks for an income-focused TFSA portfolio, while offering a shot at some nice capital gains in the coming years.

CATEGORY

1. Dividend Stocks
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