2 Contrarian RRSP Picks for the New Year

Description

As we enter 2018, Canadian investors will soon start thinking about their RRSP deadlines, wondering which stocks to add to their retirement portfolios.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **RioCan Real Estate Investment Trust** (TSX:REI.UN) to see why they might be interesting choices.

Enbridge

Enbridge closed its $37 billion purchase of Spectra Energy earlier this year in a deal that created North America's largest energy infrastructure company.

Spectra added important gas assets to complement Enbridge's heavy focus on liquids pipelines, and also provided a nice boost to the capital program.

Enbridge has about $31 billion in commercially secured projects on the go, of which $22 billion should be completed in the next few years. As the new assets go into service, Enbridge plans to raise the dividend by 10% per year.

The company recently bumped the payout up by 10% for 2018, which comes after two increases in 2017 that total 15%.

The stock is down this year on concerns the company is carrying too much debt and could come under pressure as interest rates rise. That's certainly worth noting, but management appears to be listening to the market and has identified $10 billion in non-core assets to be sold, with the first $3 billion going on the block next year.

Enbridge will use the net proceeds to reduce its debt and shore up the balance sheet.

Investors who buy today can pick up a solid 5.5% yield.

RioCan

All the media hype about department stores going bust has taken a toll on shopping mall owners, including RioCan.

The threat of online shopping is certainly real for some sectors in the retail industry, and a few of RioCan's tenants have been hit, but the company has a broad range of customers and gets no more than 5% of its revenue from any single client.

Demand for RioCan's space remains strong. Its committed occupancy rate actually rose in Q3 2017 compared to the same period last year.

The company is planning to sell its non-core properties in secondary markets to raise net proceeds of about $1.5 billion. The funds will be used to buy back trust units and strengthen the balance sheet.

RioCan is in the early stages of an ambitious development program that could see 10,000 residential spaces constructed at its top urban locations. If the concept takes off, cash flow might get a nice boost in the coming years.

RioCan recently raised the monthly distribution, so management can't be overly concerned about the outlook.

The current payout provides a yield of 5.6%.

Is one more attractive?

Both companies look oversold today and provide above-average yield with upside potential. If you only pick one, I would probably make Enbridge the first choice.

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2. TSX:ENB (Enbridge Inc.)
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