RRSP Investors: 2 Oversold Dividend-Growth Stocks to Own Today

Description

Canadians are searching for dividend-growth stocks to add to their RRSP portfolios, and the recent pullback in the market is providing some attractive picks.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) to see why they might be interesting additions right now.

CN

CN is the only rail operator in North America with access to three coasts. That's an important competitive advantage, and one that is unlikely to change anytime soon.

Why?

Merger attempts in the rail industry tend to run into regulatory roadblocks, and the odds of new lines being built along the same routes are pretty slim.

CN still has to compete with trucking companies and other railways on some routes, so it works hard to ensure the business is as efficient as possible. In fact, CN often reports an industry-leading operating ratio and is widely viewed as the best-run company in the sector.

The company just reported strong Q4 2107 numbers and raised the dividend by 10% for 2018. CN's yield might only be about 2%, but the dividend-growth track record is one of the best in Canada. The company generates significant free cash flow, and investors should see the good times continue.

CN rarely goes on sale, so the recent pullback from $105 per share in early January to $94 is starting to look like a gift.

If you want a buy-and hold pick to stick in your RRSP for a couple of decades, CN should be on your radar.

BCE

BCE bought two companies and launched a new service in 2017. Those efforts should start to pay off for investors this year.

The purchase of Manitoba Telecom Services bumped BCE into top spot in the Manitoba market and gave the giant a strong base in central Canada to expand its presence in the western provinces.

In addition, BCE acquired home-security company AlarmForce. The deal closed in January and gives BCE an additional service to package with its other products. Given the size of BCE's residential customer base, there could be a nice pop to revenue once the marketing ramps up on the security offerings.

BCE just report steady Q4 and full-year 2017 numbers and announced a 5.2% increase to the dividend. The new annualized payout of $3.02 per share is good for a yield of 5.4%.

The stock is down from nearly $63 in December to below $56 per share. More volatility could be on the way, but dividend seekers shouldn't be concerned about the safety of the payout.

The bottom line

Market pullbacks tend to be good opportunities to add top-quality dividend-growth stocks to an RRSP portfolio. If you have a buy-and-hold strategy, it might be worth considering BCE and CN today.

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