These All-Cap Dividend Stocks Have Got You Covered

Description

Like a championship sports team, a well-constructed investment portfolio contains more than one type of stock. For example, if you love investing in dividend stocks, it's not enough to own 10 large caps that provide a minimum yield and are consistently growing their dividends.

You want to spread the love beyond **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and other Canadian bank stocks — although an investment in the Big Five over the past 10 years delivered wonderful results — to companies with smaller market capitalizations.

I've always found that a good way to create a championship-calibre portfolio is through the use of an all-cap selection process, where you allocate an equal weighting in large-cap, mid-cap, small-cap, and micro-cap stocks.

When and how you rebalance and reconstitute is up to you.

Almost two years later

In May 2016, I'd picked four stocks as part of a miniature all-cap portfolio; I haven't rebalanced or reconstituted the portfolio since. The performance suggests that the team concept works equally as well with stocks as it does with athletes.

Total return — May 27, 2016, to March 21, 2018

Market Cap	Company	% Return
Large Cap	**Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM)	16.5%
Mid Cap	**Alaris Royalty Corp.** (TSX:AD)	-29.8%

Small Cap	**DHX Media Ltd.** (TSX:DHX.B)(NASDAQ:DHXM)	-35.1%
Micro Cap	**Canopy Growth Corp.** (TSX:WEED)	1,198%

Source: Yahoo Finance

If you'd invested $1,000 in each of these stocks, today you'd have $14,496 — an annualized total return of 90.4%.

However, because I recognized the risk involved in allocating an equal weighting to Canopy, I'd suggested 40% go into Brookfield, 30% into Alaris, 20% into DHX, and 10% into Canopy.

Under this suggested allocation, the all-cap portfolio has delivered an annualized total return of 41.6% — still outstanding, but not quite as impressive.

The all-cap portfolio illustrates how you can generate outstanding returns by diversifying beyond the usual large-cap dividend stocks. Except for Canopy, all pay dividends.

All-cap dividend stocks

Like last time, I'm going to recommend four stocks, one for each market cap that I think will do well over the next two years; three of which pay dividends.

Keep in mind, these are stocks I'm familiar with; I'm not going to give you a lot of information to go on, so you'll want to do your own due diligence.

Large-cap stock

I'd love to go with Brookfield again, because it's one of my favourite TSX stocks, but it's only right that I recommend a new batch for the ultimate all-cap dividend stock portfolio.

Restricting my large-cap selection to stocks with a market cap of $20 billion or more, I'll go with **Alimentation Couche-Tard Inc.** (TSX:ATD.B) — what I consider to be one of the five best TSX stocks; Brookfield is another.

Couche-Tard stock is getting walloped at the moment as a result of soft sales in its U.S. stores. That's great news if you want to buy its stock for less. It will recover.

Mid-cap stock

It's one of Canada's tech darlings, but it was the recent hiring of Amy Shapero as CFO by **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) that's got me excited about the e-commerce platform's next leg up.

Shopify's success is critical to Canada's tech sector continuing to grow. If it fails, much like a couple of high-profile flame-outs before it, tech in this country will fail to take off.

It won't fail.

Small-cap stock

This one isn't going to deliver WEED-like growth over the next two years, but since Couche-Tard doesn't pay a big dividend, I thought I'd include a pick that does.

Rogers Sugar Inc. (TSX:RSI), which sells sugar under the Rogers and Lantic brand names, currently yields 5.7%. In November, the company acquired one of Canada's biggest producers of maple syrup for $160 million, providing it with a growth vehicle for a future with less sugar in it.

This is an income investor's dream stock.

Micro-cap stock

Finally, I saw an article in the *Globe and Mail* that reminded me that good things come in small packages. Two years ago, I'd recommended **Brick Brewing Co. Limited** (TSX:BRB) when it was just over $2.

It's upgrading its can line in 2018. The $3.5 million investment will double its canning capacity to 400,000 hectoliters per year, which should add to the top and bottom lines.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:AD.UN (Alaris Equity Partners Income Trust)
5. TSX:BN (Brookfield)
6. TSX:RSI (Rogers Sugar Inc.)
7. TSX:RY (Royal Bank of Canada)
8. TSX:SHOP (Shopify Inc.)
9. TSX:WEED (Canopy Growth)

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