Why Investing in Canada Has Been So Profitable

Description

When looking back at the biggest winners of the past decade, Canadian investors who bet on the right racehorse have very little to complain about. From the early 2000s on, the markets have done a lot for Canadians in spite of the reversal of many income trusts to corporations and the events of the 2008/2009 recession. One could even argue that the Canadian market has been even more resilient than the U.S. market. As always, there has been substantially more innovation and competition south of the border (as there are more people and more companies) than in Canada (which also leads to greater competition).

When considering some of the most popular securities, we don’t have to think too hard to figure out why they have performed so well. In the case of Canada’s banks, there are only five major players with a total of approximately 36 million retail customers needing the service. Clearly, the power is with the fewer providers instead of the numerous customers, as outlined in Michael Porter’s five forces framework. For investors, the good news doesn’t stop there, as there are numerous other industries to choose from.

As the Canadian marketplace is much smaller than the U.S. marketplace, the high amount of regulation has become a benefit to investors, as Canada’s banks are justified in charging higher fees and returning large excess profits to shareholders. The question that investors need to ask themselves is, what industry is made up of an oligopoly-like structure? Hopefully, excess profits will also be delivered.

The bad news: for those considering the marijuana industry, the growers do not fall into this category.

Instead, it is the telecommunications sector, which is comprised of only a few competitors, many of which are not trading at a share price that is exorbitantly expensive. Currently, shares of **BCE Inc.** (TSX:BCE)(NYSE:BCE), which are trading at a price of $54, may be the best opportunity available to investors. The parent company of well-known Bell currently pays a dividend of $0.755 per share, per quarter, which translates to a dividend yield of 5.6% — an extremely generous payout.

Although cable (and telephone) was traditionally not an exciting business for investors, it should be noted that investors are getting a generous dividend yield from what has become a defensive company. Although a recession could see a decline in cable subscribers, the reality is that the mobile phone revenues will continue to increase, offsetting the losses coming from other places. As smart phones become more essential to the everyday lives of millennials, the only question that investors need to ask themselves is, just how long are they prepared to hold shares of this dividend-paying gem?

With dividends already planned (and posted on the company's website), investors can rest easy knowing that everyone is on the same page regarding the income offered to investors.

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