TFSA Investors: 2 Top Canadian Dividend-Growth Stocks to Buy Today

Description

Canadian investors are searching for top-quality companies that provide reliable and growing dividends.

The strategy makes sense, especially when the distributions are invested in new shares to harness the power of compounding.

Let's take a look at **Canadian Pacific Railway Limited** (TSX:CP)(NYSE:CP) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) to see why they might be interesting picks today.

CP

Canadian Pacific Railway had a challenging first quarter, but still delivered steady results. The company carried 6% more freight than it did in Q1 2017 and generated a 4% increase in revenue. Adjusted diluted earnings per share rose 8% to $2.70.

CP appears to have reached an agreement with the unions representing its conductors, engineers, and signal workers. Voting is scheduled for May 14-23. Although the contract dispute has been a distraction in recent months, CP's share price has held up well. In fact, the stock has risen 20% since September 2017.

CP just announced a 15.5% increase to the dividend, so management is obviously comfortable with the revenue and cash flow outlook for the rest of the year and beyond. Demand for the company's services remains robust, amid favourable economic conditions in Canada and the United States. Ongoing pipeline bottlenecks also bode well for CP's oil transport segment.

Long-term investors have done well with this stock. A $10,000 investment in CP two decades ago would be worth more than $95,000 today with the dividends reinvested.

Bank of Nova Scotia

Investors often overlook Bank of Nova Scotia when choosing a financial stock for their portfolios, but that might be a mistake.

Why?

Bank of Nova Scotia has invested billions in an effort to build a large international business, with the bulk of the funds targeted at Mexico, Peru, Chile, and Colombia.

The four countries are members of the Pacific Alliance, which is a trade bloc set up to promote the free movement of capital and goods in a combined market that is home to more than 200 million consumers.

Bank of Nova Scotia continues to invest in the region. The company just announced a $130 million acquisition in Peru that will give it a 51% interest in Banco Cencosud. This comes on the heels of a US$2.2 billion deal announced late last year to acquire a significant part of BBVA Chile. The BBVA purchase is expected to boost Bank of Nova Scotia's market share in Chile to 14%.

The international operations already contribute close to 30% of Bank of Nova Scotia's profits. As the middle class grows in the Latin American market, demand for loans and investment products should increase.

Bank of Nova Scotia has a strong track record of dividend growth, and that trend should continue. At the time of writing, the distribution provides a yield of 4.1%.

A $10,000 investment in Bank of Nova Scotia 20 years ago would be worth more than $80,000 today with the dividends reinvested.

The bottom line

There is no guarantee CP and Bank of Nova Scotia will deliver the same returns over the next two decades, but the strategy of owning top-quality dividend-growth stocks and investing the distributions in new shares is a proven one.

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