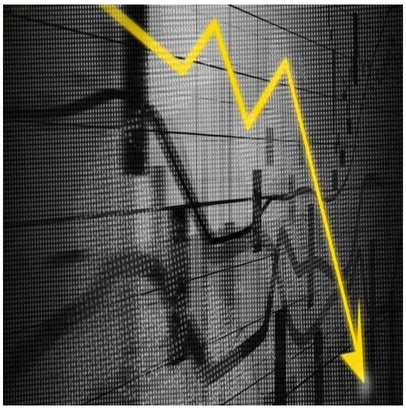

2 Out-of-Favour Canadian Dividend Stocks for Your RRSP

Description

Canadian savers are searching for reliable dividend stocks to put in their self-directed RRSP portfolios. Once in a while, the market provides an opportunity to pick up strong companies at attractive prices.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to see why they might be interesting picks.

Enbridge

Enbridge has recovered some lost ground in the past three months, rising from a multi-year low near $38 to the current price of $47 per share. Investors who missed the surge should still consider adding the stock to their portfolios, as more upside could be on the way.

Why?

Enbridge is ahead of schedule on its plans to monetize $10 billion in non-core assets. To date, the company has found buyers for $7.5 billion, which is well ahead of the original 2018 goal of $3 billion. Enbridge is using the funds to reduce debt and provide cash to support its $22 billion near-term capital program.

Once the transition is complete, Enbridge will primarily own and operated regulated businesses that provide predictable and reliable cash flow for shareholders.

The company is seeing revenue and synergy benefits from the $37 billion Spectra Energy acquisition that closed last year. Enbridge reported Q2 2018 adjusted earnings of $0.65 per share compared to $0.41 per share in the same period in 2017. Distributable cash flow, which is important for dividend investors, is now expected to be in the top half of the full-year 2018 guidance of $4.15-4.45 per share.

Enbridge raised its dividend by 10% for 2018, and more gains should be on the way. At the time of writing, the dividend provides a yield of 5.7%.

Regarding upside, Enbridge traded above $65 per share in 2015, so the recovery could have room to run. Demand appears strong for the assets Enbridge intends to sell, and the stock should start to win back more fans who became uncomfortable with the debt load in the past couple of years.

Fortis

Fortis is down from $48 per share last November to about $42. Nothing appears to be wrong on the operational side, so the dip is likely due to market concerns around rising interest rates.

As rates increase, there is a theory that conservative income investors could shift funds out of go-to dividend stocks such as Enbridge and Fortis and put the money in GICs. Some funds could certainly move, but the market reaction ahead of an anticipated exodus might be overdone.

Why buy Fortis?

Fortis has a $15.1 billion five-year capital program in place that should boost the rate base by more than 5% per year to about $33 billion by 2022. As a result, management is targeting annual dividend growth of at least 6% over that timeframe.

The company made two large acquisitions in recent years that are performing as expected and Fortis has highlighted a number of organic growth opportunities across the portfolio of businesses that should result in an extension of the dividend growth outlook.

Fortis has increased the dividend every year for more than four decades. The current payout provides a yield of 4%.

The bottom line

Enbridge and Fortis pay reliable and growing dividends and should be solid buy-and-hold picks for a self-directed RRSP portfolio.

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