3 Top Dividend Stocks to Buy Right Now

Description

The best investment opportunities often come from sectors that have been ignored. One group that has fallen out of favour with investors is the utility sector. If you are wondering why, the answer is simple: rising interest rates. As rates rise, high-yield sectors such as utilities tend to underperform the market.

Year to date (YTD), the TSX Utility Index has lost approximately 8% of its value. In comparison, the TSX as returned 1.45% thus far. The underperformance is even more pronounced over the past year. The Utilities Index has lost 8.78%, while the TSX has returned 9.22%.

This is why utility investors should focus on companies that not only have high yields, but that have sustainable and growing dividends. The recent sector downtrend has presented investors with a great buying opportunity. The best place to start is Canadian Dividend Aristocrats.

Sector outperformer

One company that has slightly outperformed the Utility Index is **Fortis** (TSX:FTS)(NYSE:FTS). This regulated utility company has lost only 7% YTD. Although this may not seem great, it's much better than its peers on this list — both of which have posted double-digit losses.

Fortis has the second-longest dividend-growth streak in Canada. This Canadian Dividend Aristocrat has raised dividends for 44 consecutive years!

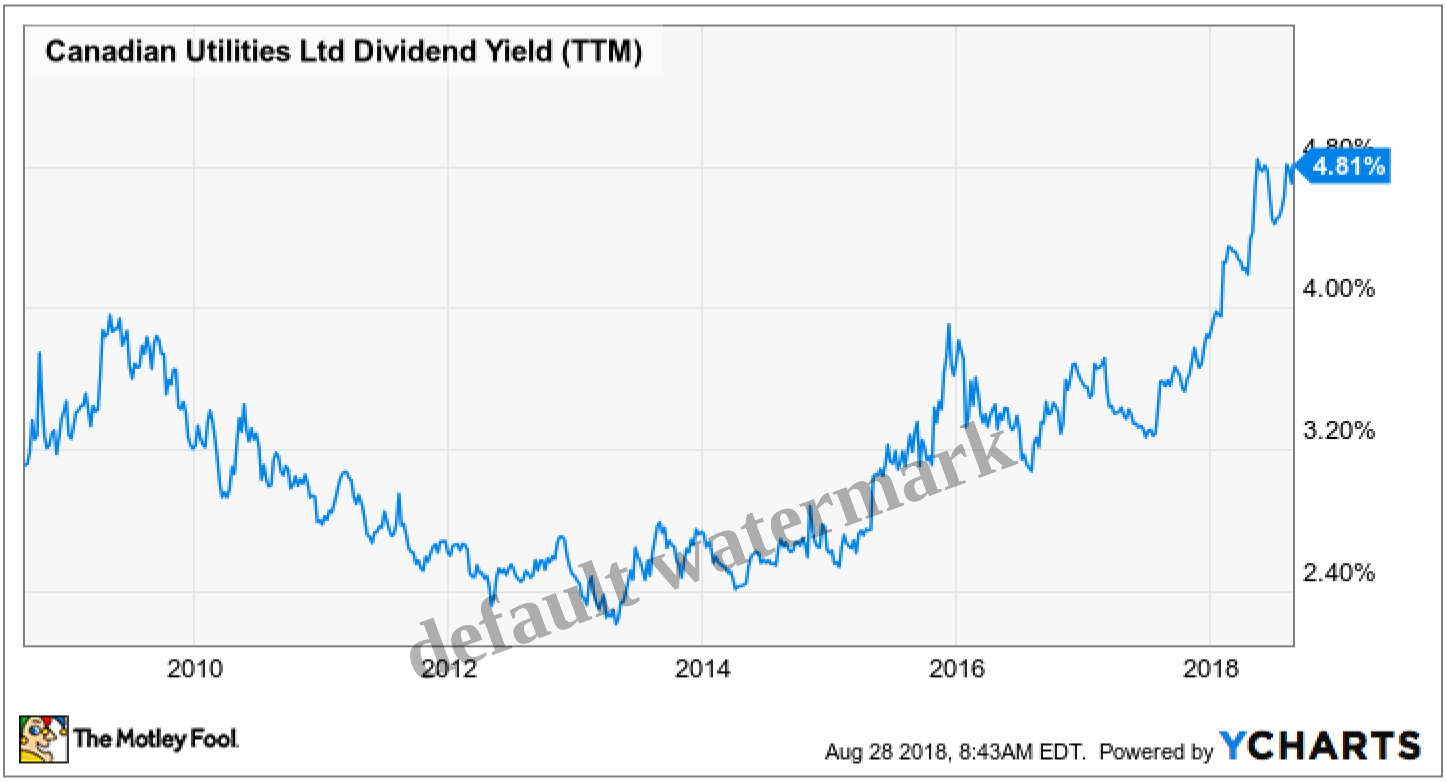
In October of 2017, the company revised its five-year outlook. As part of this, Fortis announced a targeted dividend-growth rate of 6% through 2022. The company is expected to raise its quarterly dividend this fall.

Longest streak in Canada

Canadian Utilities (TSX:CU) has the distinction of having Canada's longest dividend-growth streak at 46 years. The company last raised dividends by 10% this past January.

This utility company also boasts one of the highest dividend-growth rates in the sector. Its three- and five-year dividend-growth rates both hover around 10%. Double-digit dividend growth for a company the size of Canadian Utilities is impressive.

Although the company's share price has dropped by 14% this year, there is a silver lining. Investors can get the company at its highest yield in over 10 years.



With a starting yield of almost 5% and double-digit dividend growth, you are paid handsomely to wait for its share price to recover.

Highest starting yield

Emera (TSX:EMA) recently came out with disappointing guidance. As a result, its stock dipped again and is now yielding a juicy 5.57%. Much like Canadian Utilities, this is the highest yield over the past 10 years.

The biggest disappointment for investors was the company's revised dividend-growth target. Down from double-digit growth, Emera now expects to grow the dividend at a range of 4-5% through 2021. One of the most attractive aspects of the company was its higher starting yield combined with its double-digit growth.

This is not to say it's a bad investment. Investors are still getting a great starting yield and consistent dividend growth over the next four years. Emera is also one of the fastest-growing utilities. It has grown revenues by a compound annual growth rate of 35% over the past five years.

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1. Dividend Stocks
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2. TSX:CU (Canadian Utilities Limited)
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