



This Canadian Bank Is My Top Dividend Pick (and It's Not CIBC)

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) may not be the first big six Canadian bank investors look to for big returns. After all, while a 3.9% yield is nothing to sneeze at, BMO's current dividend yield is not even close to being the leader of the pack, a fact that may turn some income investors off right from the start.

That said, BMO's dividend has [consistently grown](#) at a very meaningful clip of approximately 3% per year over time, making this bank increasingly attractive on dips such as the ones we have seen recently. The lender's yield has increased meaningfully during BMO's recent drop of more than 8% over the past couple months, but investors will note that BMO has experienced perhaps the shallowest dip of any peer of late, which is due in part to the company's strong growth fundamentals and excellent balance sheet ratios.

The lender has a high quality portfolio of assets that are well diversified and less exposed to many of its peers due to less idiosyncratic risk related to the Canadian housing sector. From a fundamental perspective, although a long-term investor may have to pay slightly more for a BMO today than some of its peers, I believe the long-term benefit of stronger growth drivers and better-quality assets will shine through, making this lender preferable to other higher-yielding Canadian lending institutions currently.

One of the business lines BMO has launched that's been extremely successful is its growing portfolio of [exchange traded funds](#) (ETFs). Pound for pound, BMO is far outpacing its peers in this space, making BMO one of the top companies in terms of innovation that I would invite investors to more closely analyze. I believe that the mutual fund industry in Canada is due for a rude awakening, and companies like BMO that are leading the way in providing low-cost, high-value options for Canadian investors are likely to come out ahead in the long-term.

Bottom line

Investors seeking long-term income from any security must consider the risk/reward profile of such an investment over time. From a risk perspective, BMO remains relatively low-risk compared to its peers,

with a strong portfolio of assets that should continue to fund dividend growth over time, a primary consideration for a long-term income investor.

The long-term effects of compounding are great, and with a company like BMO, I expect that the combined capital appreciation/dividend return investors will receive over the long-run to be impressive, relative to its peers.

Stay Foolish, my friends.

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3. Investing

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