



2 Severely Undervalued Dividends to Buy and Hold Forever

Description

The markets have been ridiculously volatile over the past two years, thanks to the rising tensions between the U.S. and China.

As the stomach-churning rollercoaster ride continues, it'd be wise to flock towards dividend-paying stocks, not only to dampen the big downward moves but to get paid something real as Mr. Market continues to scrape back those paper gains.

In this piece, we'll have a look at two out-of-favour and under-the-radar dividend plays that can help ground your portfolio, as the market indices continue to quake over the geopolitical news that continues to flow in.

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#))

While the title of king of the oil sands is up for debate, Canadian Natural is arguably one of Alberta's more robust companies thanks in part to its solid integrated businesses and its rock-solid balance sheet that'll continue to support the dividend, which currently yields 4.1% through the worst of times.

Fellow Fool contributor Andrew Walker recently touted Canadian Natural as one of the TSX index's dividend-growth stars [to own for decades](#) thanks to the firm's amazing "resource mix," its "healthy" free-cash-flow generation, and its strategic acquisitions.

Given Canadian Natural's high financial flexibility, its resilience in times of industry turmoil, and its track record of rewarding shareholders with generous dividend hikes, I'd say Walker is right on the money: "The board raised the dividend by 12% for 2019 and has hiked the payout for 19 straight years. Very few oil and gas producers have delivered similar results."

That's an impressive dividend history on its own. What's even more impressive is the fact that the company continued to raise the dividend bar, as many of Canadian Natural's peers fell to their knees as oil prices flopped.

At today's depressed levels, I see a huge margin of safety and considerable upside for those looking to initiate a long-term position.

Industrial Alliance ([TSX:IAG](#))

Insurance and non-bank financial services are a tough industry to thrive in when the economy takes a turn for the worst. Just have a look at how Canada's top insurance firms fared during the last recession; most of them crumbled like a paper bag. To this day, a handful of insurance stocks have failed to surpass highs reached prior to the Financial Crisis, but shares of Industrial Alliance aren't a part of this group.

Why?

In a [prior piece](#), I praised the firm for its the "aura of conservatism" that was "ingrained in Industrial Alliance's corporate structure" and the fact that management didn't want to risk "overextending itself" when it came to its dividend, which, while lower than most of its peers (3.44% yield), had more room for growth if the company was as keen as its peers at "bribing" income-oriented investors with a higher payout.

You have to respect Industrial Alliance for doing a stellar job of mitigating its risks and not following the rest of the pack when it came to the firm's dividend policy. While a 3.44% yield may not be enough when you could easily score a 4-5% yield with one of Industrial Alliance's peers, I believe that the value proposition is far superior at this juncture.

Industrial Alliance is an excellent domestic non-bank financial that's picking up traction in wealth management. While wealth management is highly commoditized and ripe for technological disruption, I believe that Industrial Alliance has positioned itself to take share from some of the incumbent players.

While the current macro environment is less than favourable for the financials, Industrial Alliance shares are severely undervalued at just 1.1 times book and 0.5 times sales. I think the big discount is attributable to the smaller dividend, the firm's domestic overexposure, and the mild industry-wide headwinds. If you're able to forgive these "unfavourable" traits, there's an opportunity to pay a nickel to get a dime.

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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:IAG (iA Financial Corporation Inc.)

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Author

joefrenette

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