2 Dividend Stocks to Buy in June

Description

Fellow Fool contributor Andrew Button recently wrote an article titled “Why 2019 Is Shaping up to Be the Year of Dividend Stocks.” Although the premise of the article is correct, I would argue that 2019 is no different than any year of the past decade. Why? It’s because of low interest rates.

Research suggests that dividend payers have an inverse correlation to interest rates. In a low interest environment, dividend stocks tend to thrive. Why? Investors receive very little from fixed-income investments. The yields are so low that a good number of investors turn to high-quality dividend payers for income.

The reverse is also true. When rates are on the rise, the income received from fixed-income assets becomes more competitive with the yields of dividends payers. As such, the risk/reward ratio returns to favour fixed-income assets.

As such, this year is no different. We are in an ultra-low interest rate environment and the consensus has turned bearish. The expectation is for dividend cuts after several years of small raises to interest rates.

With that in mind, here are two dividend stocks that will continue to outperform the markets. The timing is also perfect, as both are entering periods of strong seasonality.

Alimentation Couche-Tard

Consumer defensive stocks are usually viewed as boring and low-growth investments. **Alimentation Couche-Tard** (TSX:ATD.B) has bucked this notion. Over the past five years, the company has grown earnings by an average of 21% annually. Its share price has averaged 40% annual capital appreciation over the same period.

This is a company that has an aggressive growth-through-acquisition strategy. Since 2004, the company has completed 60 deals, which have added 10,200 stores globally. Within the industry, it is the largest in Canada by revenue and has a leading market share in Europe. Moving forward, the company is focused on expanding operations in the United States and Asia.

Couche-Tard is a Canadian Dividend Aristocrat, with a 10-year dividend-growth steak. Over that period, it has averaged 23% dividend growth and is one of the top dividend stocks in the country.

Parkland Fuel

Parkland Fuel (TSX:PKI) is also in the convenience store and fuel retail business. Unlike Couche-Tard, however, it is listed as an energy company, as it also manages several fuel supply contracts. On top of retail operations, it purchases fuel from refiners, refines fuel, and distributes fuel to wholesale and re-seller customers.

Parkland's growth strategy is very similar to Couche-Tard — it buys up everything it can get its hands on. The difference is in the size of acquisitions. When Parkland opens its wallet, the deals tend to be transformative in nature. In the past three years, it has more than doubled its assets through the purchase of high-quality assets from global industry leaders such as Sol, **Linamar**, and **Chevron**.

Parkland has a six-year dividend-growth steak in which it has only averaged low single-digit growth. However, the company is proving to be effective at allocating capital to balance shareholder needs. Shareholders have enjoyed a yield near 3% and capital appreciation that has averaged around 20% over the past five years.

The industry is still highly fragmented and is ripe for consolidation. As such, expect continued reliable income and healthy capital appreciation from Parkland Fuel.

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Date
2025/09/06
Date Created
2019/06/19
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