2 Dividend Stocks Every Investor Should Know

Description

If you're a dividend investor, it pays to be informed. Often, the best dividend stocks of *tomorrow* are underappreciated *today*. Consider the two stocks on this list. Both sport impressive dividends, one of which exceeds 6%. Both also have long, impressive payout histories with minimal balance sheet risk. Why are they trading at rock-bottom valuations?

Even the best dividend stocks can become undervalued. Now is your chance to capitalize on the opportunities below.

Insure your portfolio

Intact Financial (TSX:IFC) isn't a well-known stock, but it should be. It recently made my list of low-volatility stocks to buy and hold for 20 years. "Over the last decade, Intact Financial has never finished a year with a loss," I wrote. "Plus, it's returned more than 230% versus a mere 55% return for the **S&P/TSX Composite Index**."

Looking ahead, Intact Financial looks prepared to repeat its long history of outperformance. The company remains the largest provider of property and casualty insurance in Canada. If that surprises you, it's helpful to know that it changed its name from ING Canada (a better-known brand) in 2009. In the insurance game, being big is a huge advantage. It means you have a greater-risk pool, which can provide you with more proprietary data, better coverage opportunities, and, most likely, more attractive pricing. Plus, insurance stocks have a long history of outperforming the market during downturns.

The stock now trades at just 20.4 times 2019 earnings. That's not too impressive until you look ahead at 2020 earnings. Using next year's expected profits, shares trade at just 15.6 times forward earnings. Armed with a 2.4% dividend, bargain valuation, mitigated recession risk, and compelling growth prospects, Intact Financial should rise in the dividend stock rankings for years to come.

Always be winning

Enbridge (TSX:ENB)(NYSE:ENB) is a special stock. Not only does it deliver a 6.6% dividend yield, but it also can outperform the market during both bull *and* bear markets. Allow me to explain.

Enbridge is one of the largest pipeline operators in the world. It owns critical infrastructure that transports raw output to refineries, export facilities, and end users. In many cases, oil and natural gas producers have no choice but to use the company's pipelines. Importantly, most of its contracts are long term (think 10 years or more) and aren't dependent on commodity prices. Instead, Enbridge profits from volumes.

As long as volumes remain strong, the company should generate similar levels of profit. Consider late 2014 when oil prices plummeted by 50%. During that period, Enbridge stock actually *gained* in value! Since 1995, oil prices have roughly doubled in price. Over the same time period, Enbridge shares increased in value by more than 10-fold. This dividend stock really can do it all.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:IFC (Intact Financial Corporation)

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rvanzo