



2 Top Dividend-Growth Stocks to Buy in December

Description

Many investors will remember that it was just 12 months ago that the stock market was in the grips of a vicious holiday season correction, with the TSX going from a high of 16,500 in July of 2018 to a low of 14,000 by December.

This represented a 15% correction, which was disheartening to a lot of investors, who rely on relative stability for their monthly retirement income or perhaps to put a child through university.

But smart investors would have also noticed another interesting phenomenon, which is that the highest-quality stocks that are supported by growing cash flow and dividends fared a lot better.

Take the example of perennial bellwether **Enbridge**, which stayed approximately flat at \$45 per share during the same period when everything was going to heck in a hand basket.

Enbridge is an example of a stock that investors absolutely need to have in their TFSA and RRSP portfolios as December approaches, because there is a lot of global trade uncertainty, and institutional investment managers who want to lock in gains for their mutual funds won't hesitate to sell and take risk off the table.

But investors like you and me can get ahead of that end-of-the-year selling by accumulating a bit of cash and then scooping up shares of beaten-down, high-quality blue chips if the bottom should fall off the market in the next few weeks.

With that in mind, I have two rock-solid recommendations that have served investors well for years, especially when they can buy low.

Power Corporation of Canada

Power Corp ([TSX:POW](#)) has been a frustrating stock for many investors, staying roughly flat for the last five years at around \$30 per share. But the stock is absolutely as blue chip as they come, with a rock-solid balance sheet and a very diversified business model.

Power Corp is a diversified international management and holding company with interests in companies in the financial services, asset management, sustainable and renewable energy, and other business sectors.

Power Corp's main businesses are **Great-West Lifeco** and **IGM Financial**, and the strength of those names has allowed the company to continue to grow its adjusted net earnings attributable to shareholders from \$0.78 per share, or \$332 million, for the quarter, compared with \$0.61 per share, or \$283 million, for the same quarter in 2018.

The company has also grown its net asset value (NAV) per share at an impressive clip, and the latest NAV of \$36 suggests that the stock is almost 15% undervalued at its current price of \$31 per share.

Last but not least, the company has been a serial grower of dividends, with the dividend growing from a modest \$1.16 annually per share in 2014 to a monster \$1.60 annually per share at the present time. This equates to a 5.2% yield, which is extremely solid and growing.

Peyto Exploration & Development

Peyto ([TSX:PEY](#)) is a bolder call, because it is slightly higher up on the risk curve, but in my view, the return potential makes up for the extra risk.

Peyto is an explorer and producer of unconventional natural gas in Alberta's Deep Basin. Peyto's industry-leading cost structure and focus on profitability makes it an extremely attractive investment in the Canadian energy sector.

Peyto's strategic advantage over every other energy producer in Canada is its low costs. By maintaining low cash costs over the entire production life, it ensures that returns are maximized regardless of commodity price volatility.

Peyto has a juicier dividend than Power Corp at a monster 8.60%, and the logical question when the dividend yield goes above 6% or 7% is if the yield is secure. The simple answer is that investors have nothing to worry about, because the company more than covers its dividend adequately with its current earnings.

What's even better is that the dividend is paid on a monthly basis, which is rare, and provides investors close to retirement a reliable income stream.

Investor takeaway

Stock price volatility can be stomach churning, but it can also be a smart investor's best friend. Investors should look to accumulate shares of high-quality stocks like Power Corp and Peyto in December to set up for a fantastic dividend-led total shareholder return in 2020.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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4. Top TSX Stocks

TICKERS GLOBAL

1. TSX:PEY (Peyto Exploration & Development Corp)
2. TSX:POW (Power Corporation of Canada)

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