TFSA Investors: 2 Dividend Stocks With Positive Trends

Description

Here are two dividend stocks that will be great additions to your 2020 TFSA. They have positive trends, offer decent income, and provide upside potential in the long run.

Manulife Financial

The last 12 months have been stellar for **Manulife Financial** (TSX:MFC)(NYSE:MFC) stock, as it appreciates 36% on the normalization of its price-to-earnings ratio. It's super positive for the stock, as it's breaking its five-year high.

Yet, at about $27.50 as of writing, it still only trades at roughly 9.3 times earnings, which is far lower than **Sun Life's** multiple of north of 12.

Manulife's Asian footprint is very well established, with more than 120 years of operations and presence in 10 markets: Hong Kong, Japan, Taiwan, China, Singapore, Indonesia, Malaysia, Thailand, Vietnam, and the Philippines.

Its Asia business, which has experienced double-digit growth recently, should continue to be a formidable tailwind for the insurance company.

Its recent return on equity has improved to 11% compared to the five-year average of 8.5%.

A near-term price target for the normalization of its valuation is approximately $33, which suggests upside of about 20%. Meanwhile, Manulife offers a well-protected dividend yield of 3.6% with a payout ratio of 34%, within the range of its target ratio of 30-40%.

Pembina Pipeline

Kinder Morgan finished selling 25 million **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) shares, which totals about $1.25 billion. However, on the day of the announcement, Pembina stock pops more than

4%, indicating that the market has more than the needed capacity to absorb Kinder Morgan’s sale.

Pembina has prudent management practices. Investors can count on Pembina to make the right decisions to protect the downside while offering acceptable, long-term returns. Here are a couple of examples to illustrate this.

First, it plans to raise $1 billion of notes to repay the debt under its $2.5 billion revolving credit facility incurred in connection with the acquisition of the U.S. portion of the Cochin Pipeline from Kinder Morgan. The debt for the credit facility isn’t due until four years later.

Second, Pembina and its joint-venture partner secured 60% of the capital cost of their petrochemical facility project. Although, as a result, the project cost is higher than the previous estimation, management believes it’s a prudent decision, which provides more certainty and lowers the risk of the overall project.

The best proof is that Pembina stock has delivered market-beating long-term returns. In the last 10 to 15 years, Pembina stock has delivered total returns of about 14% and 12%, respectively, compared to the average market returns of about 7%.

Moreover, Pembina offers a juicy dividend yield of 5%. So, investors don’t have to sell any shares to enjoy the fruits of the investment.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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