



Canadian Blue-Chip Stocks That Are Raising the Dividend

Description

We are in the middle of earnings season, and as is typical during this time of the year, there are several **TSX**-listed companies that are making dividend announcements.

Why is this important?

A well-executed dividend growth strategy has proven to be one of the best wealth-building investment strategies. Whether you're just starting out or nearing retirement, it's a time-tested strategy that's appropriate for investors of all types. As an added bonus, dividends also have some tax advantages for Canadians in non-registered accounts.

Another fact that goes largely unnoticed is that dividends account for a big percentage of investor returns. Case in point, several of the larger blue-chip companies have seen the dividend account for a big percentage of returns.

Such stocks include **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) and **Suncor** ([TSX:SU](#))([NYSE:SU](#)). Both are industry leaders with a consistent and reliable history of increasing their payout.

A top defensive stock

Railway companies are considered defensive stocks and tend to hold up better than most during a bear market. In Canada, there exists a duopoly which gives the leading railroads a considerable moat, otherwise known as a sustainable competitive advantage.

Over the past 10 years, CN Rail has returned a total of 486% to shareholders. Over this period, the company has averaged 15.6% annual dividend growth to go along with an 18.3% compound annual growth rate.

Excluding the dividend, the company's share price has jumped by 373% over the past decade. As you can see, the dividend had a big impact on total returns.

CN Rail is a Canadian Dividend Aristocrat and owns the 10th longest dividend growth streak in Canada. Canadian Aristocrats are companies that have raised dividends for at least five consecutive

years.

A couple of weeks ago, the company [increased the payout](#) by 7% on the back of strong earnings, thereby extending its growth streak to 25-years.

As the company is dual listed, it has joined the prestigious U.S. Dividend Aristocrat list, which requires at least 25 consecutive years of growth. There is no question that CN Rail is one of the top blue-chip companies in the country.

A contrarian play in an oil bear market

The negative sentiment toward oil & gas is reaching a fever pitch. The industry has been under pressure for a number of years, and the shift towards [renewable energy](#) is beginning to accelerate.

Despite this, it will take decades if not more for fossil fuels to disappear from our everyday lives. Even that is questionable as to whether it will ever happen entirely.

That said, investors still need to proceed with caution when investing in the sector. For this reason, I prefer best-in-class stocks such as Suncor. Canada's largest integrated oil company is also a Dividend Aristocrat and has increased its payout for 18 consecutive years.

This past week, the company once again proven why it deserves to be in your portfolio. Suncor raised the dividend by 11% which is inline with the company's five-year, 10.5% average annual growth rate.

Achieving a double-digit growth rate during a period of considerable uncertainty for the sector is quite the accomplishment.

The company is cheap and is trading well below historical averages.

As a low cost producer, Suncor can navigate an oil bear market better than most. With a yield above 4%, investors are paid well to wait for the price of oil to rebound or stabilize.

CATEGORY

1. Dividend Stocks
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