Canadians: 3 Stocks to Help Build the Ultimate Income Portfolio

Description

This past week I discussed the volatility that struck global markets in late January. Fortunately, this turbulence has subsided in early February and markets have started to gain significant momentum.

Valuations look sky-high for many top stocks right now, which is why I'm still interested in hedging my bets with dividend-yielding equities. Today I want to look at three of my favourites in early February.

Telus

Telecom stocks performed well in 2019 as income investors turned back to equities in response to dovish central banks across the developed world. The Bank of Canada did not make an interest rate cut, but it has indicated that no increases are forthcoming. **Telus** (TSX:T)(NYSE:TU) stock has climbed 18.8% year over year as of late afternoon trading on February 6.

Investors can expect to see Telus's fourth-quarter and full-year results for 2019 this coming week. The company reported an uptick in profit in the third quarter, but it still trails its main competitors in wireless growth. Telus is carrying forward a high amount of debt into this next fiscal year, but its rate of earnings growth should be enough to ease concerns.

The company last bumped up its quarterly dividend to $0.505 per share. This represents a solid 4.3% yield. Telus has delivered dividend growth for 16 consecutive years.

Emera

Utilities were another asset class that achieved nice returns in 2019. **Emera** (TSX:EMA) stock has climbed 31% year over year at the time of this writing. It is also expected to release its fourth quarter and full-year results later this month.

In the year-to-date period Emera has reported adjusted net income of $476 million or $1.99 per share, compared to $504 million or $2.17 per share in the prior year. Operating cash flow fell $55 million year over year in the third quarter to $1.18 billion. The company blamed its results on weak marketing and trading conditions in the quarter, as well as the sale of the merchant gas plants and the negative impacts of Hurricane Dorian.

Still, Emera looks strong early in 2020. The stock still possesses a price-to-earnings ratio below 20 and a price-to-book value of 1.9. It last declared a quarterly dividend of $0.6125 per share, which represents a 4.2% yield. Emera has increased its dividend for 13 consecutive years.

Freehold Royalties

Oil and gas prices have been hammered due to fears surrounding the coronavirus outbreak in China and across the world. **Freehold Royalties** (TSX:FRU) stock has remained static month over month, but shares are down 10% year over year. Investors will want to see improved earnings growth at Freehold, but it does boast an attractive dividend.

In the year-to-date period at the end of the third quarter of 2019, Freehold reported royalty and other revenue of $104 million, which was down 13% from the same period in 2018. Royalty production had fallen 6% year over year. The company aims to circumvent these issues by enhancing third-party drilling on its royalty lands going forward, as well as pursuing new acquisition opportunities in the U.S. and Canada.

Freehold does boast a favourable price-to-book value of 1.2. Its $0.24 funds from operations per share more than covers its quarterly dividend payments of $0.1575 per share. The biggest attraction is its monthly dividend payout. It last delivered a monthly distribution of $0.0525 per share. This represents a tasty 8.5% yield.

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1. Dividend Stocks
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2. TSX:EMA (Emera Incorporated)
3. TSX:FRU (Freehold Royalties Ltd.)
4. TSX:T (TELUS)

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Date
2025/08/25
Date Created
2020/02/09
Author
aocallaghan