Dividend Aristocrats to Buy in July

Description

The **S&P/TSX Composite Index** is doing its best to erase yearly losses. Now down by only 7.91% on the year, the Index has posted three consecutive months of gains. It is important to note however, that not all stocks are benefiting. Case in point, Canadian Dividend Aristocrats.

Income investors consider these best-in-class as they have a history and commitment to raising the dividend. Unfortunately, their performance has left income investors questioning their strategy. As of writing, the **S&P/TSX Canadian Dividend Aristocrat Index** is still down by 21.03%. This underperformance is a rarity. In fact, over the past 10 years, these income stocks have consistently outperformed the broader Index.

It seems that investors are once again chasing high-flying growth stocks. This isn't necessarily a bad thing. For many years, Dividend Aristocrats have been on the expensive side. Today, income investors are able to pick up high quality stocks on the cheap.

The cheapest Big Bank

Canada's Big Banks typically trade in line with historical averages. Over the past 25 years, the banks have only traded at big discounts to their average price-to-earnings ratio three times.

Each time, their prices have rebounded to trade in line with their averages. By this metric, the cheapest of the group is the **Bank of Montreal** (TSX:BMO)(NYSE:BMO). The Bank is trading at an 18% discount to its historical average of 11.91 times earnings.

This is not surprising as it is the worst-performing Big Five bank of 2020. Year to date, the company's stock price is down by 27.64% as the entire industry struggles.

It is worth noting that all of Canada's banks are at risk of losing their status as Dividend Aristocrats . Although a cut is unlikely, regulators have asked the banks not to raise dividends. This means that their growth streaks are now in jeopardy.

The cheapest Dividend Aristocrat?

The insurance industry has been among the hardest-hit sectors. The reason for this is simple: their performance during the 2008 Financial Crisis left little to be desired. Fortunately, insurers learned from their mistakes and are much better capitalized.

This means that insurers like **Manulife Financial** (TSX:MFC)(NYSE:MFC) are likely to escape the current crisis without a dividend cut. Speaking of Manulife, it is among the cheapest Dividend Aristocrats.

Canada's largest insurer is trading at just 6.74 times earnings,0.40 times sales and below book value (0.68). Arguably, there is no cheaper insurer or dividend growth stock. The company now yield's 5.78%, more than it has in over a decade.

A leading tech stock

When it comes to Canadian Dividend Aristocrats, there aren't many choices in the tech sector. As of writing, there are only four which have achieved five or more consecutive years of dividend growth.

Among those, **Open Text** (TSX:OTEX)(NASDAQ:OTEX) is among the best valued. The company is trading at only 14.01 times forward earnings and 2.92 times book value and 3.90 times sales, all of which are considerably below the industry averages.

Similarly, the company sports a PEG ratio of only 0.43 which implies its stock price is not keeping up with expected growth rates.

While others chase the high-flyers, value investors can quietly accumulate one of Canada's leading technology companies.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:BMO (Bank of Montreal)
3. NYSE:MFC (Manulife Financial Corporation)
4. TSX:BMO (Bank Of Montreal)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:OTEX (Open Text Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Tech Stocks

Date
2025/09/09
Date Created
2020/07/14
Author
mlitalien