2 Dividend Aristocrats to Buy Absurdly Cheap

Description

Many investors are already preparing their investment portfolios for a second market crash. We might already be entering one, albeit relatively slowly. The TSX fell 3.5% in the last 30 days. Even though it doesn't indicate a sufficient enough downward momentum to cry "crash" yet, there are other signs. Even if it's not quite here yet, it most likely will hit before the year ends.

There is still a slim chance that a pandemic might not hit. Positive news, like a fully functional COVID-19 vaccine, can sway investor sentiment, and instead of initiating a sell-off, people might start putting money back into the market. If that happens, you won't not only lose the chance of another market crash and new discounts, but you might lose the deals that the market is offering right now.

So, if you believe that a market crash might not come, you should take advantage of whatever's currently available. There are two aristocrats you may want to look into.

A financial aristocrat

Even though the name sounds decidedly energy related, **Power Corporation of Canada** (TSX:POW) is a financial service and holding company. The $18.3 billion organization focuses on financial services in North America, Europe, and Asia. It has been around since 1925. The three major holdings the company has **Great-West Lifeco**, **IGM Financial**, and **Pargesa**.

The company has been an aristocrat for five years. It has increased its dividends by almost 42% in the past five years. The stock is currently trading at a 23% discount, and that's after a 50% growth in valuation since the market crash. Apart from a discount, the lower valuation benefits investors by offering them a very juicy yield of 6.71%. The payout ratio of 79%, while not too high, is higher than the company's historical payout ratio.

A real estate aristocrat

Real estate is another sector that suffered a lot in this pandemic. Not all companies in the industry are suffering, but there are some that haven't been able to get their pre-pandemic valuations back. One of these companies is the aristocrat **Allied Properties REIT** (TSX:AP.UN). The company has been raising its dividends for eight consecutive years. It offers a decent 4.33% yield at a very stable payout ratio of almost 27%.

The stock is currently trading at a very steep discount of 38%. The recovery has been prolonged, which is not very encouraging from a capital-growth perspective. The stock was a decent grower before the crash. If the market picks up again, the stock might pay you off both ways (dividends and capital growth). The dividends themselves seem very secure.

Foolish takeaway

Buying Dividend Aristocrats when they are discounted is a win-win situation, especially when you can be sure that the dividends are not going anywhere. You get to secure a decent yield and maximize capital growth returns (if the stock grows in value). You can improve upon it by considering another variable — the dividend-growth rate, but it's rarely high enough to make up for a lower yield.

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Author
adamothman