3 TSX Dividend Stocks That Outpaced the S&P 500 in the Last Decade

Description

The **S&P 500** has returned 230% in the last decade, notably outperforming the Canadian broader markets. Many Canadian stocks beat the U.S. broad market index in the last 10 years. But only a few of them offer a safe passive income and growth prospects over the long term.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI), a leader in the duopolistic rail freight market, returned 415% in the last 10 years. The global supply chain came to a standstill during the pandemic. But as economies re-opened, CNR sported a superior growth in the last six months.

Its 19,600-mile network joins three coasts: the Atlantic, the Pacific, and the Gulf of Mexico. This network serves as the North American economy's backbone — the most important competitive advantage for the company.

Moreover, Canadian National makes revenues from nine cargo categories, with petroleum and chemicals making up the highest around 22%. This diversified revenue base implies stability and reliability. While some categories can bring down its consolidated revenues during recessions, other essential categories, like grains, can counterbalance the impact up to some extent.

Canadian National Railway stock is currently trading close to its all-time high and looks expensive from the valuation perspective. It yields 1.6%, lower than TSX stocks at large. It has increased dividends for the last 15 consecutive years.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is an outlier among utilities. While utilities are generally slow-growing stocks, Algonquin outperformed even top growth stocks in the last several years. With higher earnings growth and consistently growing dividends, this top utility stock returned 560%.

Algonquin stock offers a dividend yield of 4.3% at the moment, higher than TSX stocks at large. The company aims to increase its dividends by 7% per year for the next few years. Its long-term earnings and dividend stability make it a secure bet in the current unreliable times. Algonquin stock was relatively faster to recover from the pandemic lows. In the last six months, AQN stock has soared 42%.

Algonquin has displayed an above-average earnings growth in the last few years. In the last three years, its profits have increased by almost 40% compounded annually — quite a feat for a mature sector like utilities.

Intact Financial

Intact Financial (TSX:IFC) is the leader in Canada's property and casualty insurance market. Including dividends, this TSX stock has returned more than 300% in the last 10 years.

Intact Financial stock yields 2.5% at the moment. It has increased dividends every year since its IPO in 2005.

Intact offers a decent investment proposition due to its scale, dominating market share, and stable cash flows. Its quarterly earnings so far in 2020 came well above expectations. Though pandemic-related pressures might drive the stock's volatility in the short term, it will likely continue to outperform in the longer term.

Bottom line

Many high-growth stocks have delivered substantially higher returns and beat the S&P 500 in the last decade. However, portfolio stability and dividend payments are also important, along with growth. These three TSX stocks check all these boxes.

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
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4. TSX:CNR (Canadian National Railway Company)
5. TSX:IFC (Intact Financial Corporation)

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