1 Strong Dividend Stock for Your Portfolio

Description

If there is one thing I like, it is a portfolio that outperforms the broader market. One way to work towards doing that is to add strong dividend stocks into your portfolio. It has been found that dividend-paying companies are able to prop up portfolios during a downturn. In this article, I will discuss one top dividend company that I think should find a home in every Canadian investor's portfolio.

This company is a leader in the North American rail industry

The rail industry is probably one of the least-flashy markets to invest in. However, it has been one of the most important and reliable industries in history. Both Canada and the United States relied on the railway to build their countries. Today, many industries still use rail companies to transport commodities and other goods across land. In Canada, **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) seems like the best choice for an investment.

Canadian Pacific is the operator of the second largest rail system in Canada. Its network stretches from Montreal to Vancouver and from Edmonton to Chicago. All considered, Canadian Pacific operates over 20,100 km of rail. Even with a significant amount of rail across the continent, the company's leadership is still prioritizing growth.

In August 2020, the company announced that it had purchased the Central Maine and Quebec Railway. This acquisition signifies the company's return into the Atlantic region. In October, Canadian Pacific announced that it will be acquiring full ownership of the Detroit River Rail Tunnel. With smart capital-allocation moves such as these, Canadian Pacific should continue to reward shareholders in the future.

The company has a forward dividend yield of 0.95% and a dividend-payout ratio of 20.40%. This indicates that the company still has a lot of room to grow its dividend in the future. Canadian Pacific has also seen a great amount of stock appreciation this year. Since the start of 2020, Canadian Pacific stock has gained 18.78%, outperforming the **S&P/TSX Composite** by nearly 27%.

Investors have many strong dividend companies to choose from

If Canadian Pacific does not interest you, do not worry. Canada features a lot of very strong dividend companies. Examples include **Brookfield Renewable Partners**, **Constellation Software**, and **Canadian National Railway**, which are all strong companies to consider.

I would prioritize looking for companies that lead their industry, have a history of not cutting dividends, and feature a low dividend-payout ratio. Investors often focus on companies that have a high dividend yield, but this often leads to disappointing results (think **Vermilion Energy**).

Foolish takeaway

Although investors may be more attracted to high-growth tech companies, incorporating strong dividend stocks into your portfolio may be a good idea. Canadian Pacific Railway has performed very well in a year filled with uncertainty. I would recommend all investors in the Canadian market to at least consider this or another strong dividend company as a safety net during downturns.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. canada
2. dividend
3. dividend stock
4. investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Tags

1. canada
2. dividend
3. dividend stock
4. investing

Date
2025/08/14
Date Created
2020/11/18
Author
jedlloren