2 Canadian Stocks I’d Buy in April 2021 if I Restarted My Portfolio

Description

Quality, outperformance, and dividend growth: I want them all. For long-term investment, aiming for dividend growth over current yield could lead to outperformance.

Here are two quality Canadian stocks that I’d buy in April if I restarted my portfolio today.

For the dividend stocks below, I chose to illustrate their long-term returns potential from 2007, because that was the year before we had the Great Recession. Since that period, these stocks have recovered and expanded. Their five-year returns, which is also shown, provides a glimpse of their more recent returns.

I’d buy this diversified Canadian stock today

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is a global alternative asset manager with US$600 billion of assets under management across real estate, infrastructure, renewable power, private equity, and credit. As an investor, manager, and operator across geography and asset type, it has plenty of flexibility to drive growth.

Since 2007, Brookfield Asset Management stock has delivered returns of approximately 10% per year. In the last five years, the large-cap growth stock compounded returns at about 15% per year.

Brookfield Asset Management has increased its dividend for nine consecutive years with a five-year dividend-growth rate of 8.8%. The company is in an excellent position to reinvest most of its cash available to grow the business, which is why its dividend growth has been lower than it could have been.

At US$44.53 per share at writing, the stock is undervalued by about 17% and offers a yield of almost 1.2%. According to the average analyst price target, the stock has a 12-month upside potential of roughly 20%.

Investors should note that the stock does sell off in market corrections. For example, during the pandemic market crash last year, BAM stock declined more than 40% from peak to trough.

This Canadian tech stock is a buy in April 2021

Enghouse Systems (TSX:ENGH) is another diversified business that's a top Canadian stock to buy in April 2021. It has two segments. One is focused on solutions for customer engagement, including video collaboration, call handling, etc. The other provides solutions to communications and media, utilities, and defence organizations, and for transit, supply chain, and public safety.

Since 2007, the tech stock has delivered returns of approximately 21% per year. In the last five years, the growth stock compounded returns at about 18% per year.

Enghouse has increased its dividend for 14 consecutive years with a five-year dividend-growth rate of 19%, which roughly aligns with its five-year returns. Its sustainable payout ratio is about 36% of earnings.

The stock just had a 19% correction as growth is expected to slow after a superb run last year. It's a good time to buy the undervalued tech stock before growth resumes.

At just over $60 per share at writing, investors can pick up the stock for just over a 1% yield. According to the average price target, the stock is undervalued by 20% with 25% upside potential over the next 12 months.

The Foolish takeaway

If I didn't own shares of Brookfield Asset Management or Enghouse Systems, I would be buying some in April 2021. Both are quality companies that are undervalued and can deliver extraordinary returns for the long haul.

Should they sell off in market corrections, I would see them as opportunities to buy more shares for even cheaper prices!

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