



3 Top Canadian Dividend Stocks in My Buy-and-Hold Portfolio

Description

For dividend stocks in my buy-and-hold portfolio, my criteria are simple. Dividend stocks should provide nice income with an attractive yield and safe growth of that income.

Currently, the Canadian stock market yields 2.7%. I'd like my buy-and-hold dividend stocks to provide yields of at least 2.7% at purchase time.

Right now, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), and **Fronsac REIT** (TSXV:FRO.UN) all meet that criteria.

Top Canadian dividend stocks providing attractive income

RBC stock, Brookfield Infrastructure, and Fronsac REIT yield about 3.5%, 3.8%, and 3.8%, respectively. If you invest the same amount in each stock, you'll generate an average yield of 3.7%, which is 37% higher than the market's offering of 2.7%.

Dividend growth

Royal Bank has a 10-year dividend-growth streak with a five-year dividend-growth rate of 6.9%. Just like **BMO** stock, which reported [strong quarterly earnings](#) on Tuesday, RBC also experienced a resurgence in its earnings. The banking leader has maintained the same quarterly dividend for six quarters so far.

Consequently, its payout ratio is expected to be relatively low at about 43% this fiscal year. Investors can expect dividend increases again as soon as cautious regulators lift the ban that was put in place during the pandemic.

Brookfield Infrastructure is a Canadian Dividend Aristocrat with 13 consecutive years of cash-distribution increases. Its five-year dividend-growth rate is 8.8%. Its reasonable payout ratio is approximately 70% of its funds from operations (FFO).

Its portfolio, which is diversified by geography and infrastructure asset type, provides very stable and persistently growing cash flow, since roughly 75% are indexed to inflation. Going forward, management expects to increase BIP's cash distribution by 5-9% a year.

Fronsac REIT is a diversified real estate investment trust with nine consecutive years of dividend increases. Its five-year dividend-growth rate is 10.8%. With a recent FFO payout ratio of about 54% and expected growth from its acquisitions and development, I expect the REIT to continue growing its cash distribution by at least 10% per year over the next few years.

These top TSX stocks are high quality

Royal Bank has built a diversified business, providing a range of products and services, across its business segments: Personal and Commercial Banking, Capital Markets, Wealth Management, Insurance, and Investor and Treasury Services. It also possesses the number one market share in investment banking in Canada. Consequently, its earnings were above-average stable versus its peers during the pandemic last year.

Brookfield Infrastructure enjoys a low maintenance capital and high-margin business, averaging an EBITDA margin of 55% for the past five years. Additionally, it always has plenty of liquidity to take advantage of bargains during times of economic distress. Last year, it was able to scoop up quality assets at incredible prices. It has already booked hefty profits in some publicly listed shares.

In Q1, it reported FFO *per unit* growth of 20% year over year, thanks to strong organic growth and capital projects completed in the last 12 months. BIP has about US\$2.6 billion of liquidity for deployment.

Fronsac REIT seeks to acquire properties that are at sought-after locations, which drive revenue for its tenants. As a result, it's likely for tenants to renew at the end of a lease term. The following showcases the REIT's quality. During the worst of the pandemic, the REIT collected 84% of gross rents in April 2020 (97% of gross rents if rent-deferral agreements were included). The rent collection rebounded swiftly to 97% in June 2020 (99% if you include rent-deferral arrangements and government-assisted programs). Its Q1 2021 rent collection was 100% with FFO *per unit* jumping 27% year over year.

Because of Fronsac REIT's small size, its acquisitions and developments make a real impact on its cash flow. Last week, it made three acquisitions, increasing its number of properties to about 77.

The Foolish takeaway

After buying these quality dividend stocks at good valuations, investors can choose to hold them for a very long time to collect a growing income. Currently, they're reasonably valued, with [Fronsac REIT](#) being the best bargain. Because of its low trading volume, interested investors should consider setting a limit buy order for the REIT on a down day.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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5. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:RY (Royal Bank of Canada)
5. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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