



## Canadian Dividend Investors: 3 Top Stocks to Buy in July 2021

### Description

Finding good-quality Canadian dividend stocks is becoming more and more of a challenge. Valuations for some of Canada's best dividend stocks have risen, and dividend yields have fallen off.

Those looking for yield need to be shrewd and sometimes be willing to look for cracks in the market. Here are three Canadian stocks that perhaps have some challenges but also present intriguing value opportunities for income and capital growth.

### Suncor Energy: A top Canadian energy stock

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) has a bit of fuzz on it, especially when it comes to dividends. Last year, it sliced its yield by more than half. Today, it pays a 3% dividend, which is still not bad. However, given the strong set-up in oil prices, it would not be a surprise to see that quickly move up.

Over the pandemic, Suncor drastically cut costs and re-focused its strategy on capital allocation. This means it has focused on projects that provide the best dollar return for investment. Likewise, it has drastically reduced its overall cost to produce a barrel of oil.

Now, at over US\$70 for WTI oil, it is producing a substantial amount of free cash flow. This affords the company a lot of optionality to reduce debt, buyback stock, and raise its dividend. If you are a contrarian, you may be rewarded when this Canadian stock gets some market love again.

### European Residential REIT: A way to own European real estate

[Real estate](#) has had a very good recovery this year. Yet there is one unknown Canadian stock that the market still fails to appreciate. It is **European Residential REIT** ([TSX:ERE.UN](#)). A few years ago, **Canadian Apartment REIT** spun off this business as a completely European (and mostly the Netherlands) focused operator of apartments. Since then, it has built up a high-quality portfolio of more than 6,000 well-located apartment units.

During the pandemic, it hardly saw any change in occupancy or collections. This is because the Netherlands has an incredibly tight housing market. Many citizens must rent for life, just because there is limited new housing supply.

Over the long term, this should play out very well for European Residential. Today, this Canadian stock pays an attractive 3.55% dividend, which it just raised last quarter. Likewise, the stock is still very cheap. It is one of the only TSX apartment stocks trading at or below net asset value today.

## Algonquin Power: A top Canadian utility and renewable stock

Canadian renewable stocks have pulled back in 2021. I think that presents a pretty great long-term buying opportunity. More and more governments and businesses are looking to renewables to meet their rising power demands. This trend, over the long run, should play out well for **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)). It has had some missteps in 2021, but the bones of its business are still very good.

70% of its operations are from a diverse set of utility operations, primarily in the United States. The remainder come from a growing renewable power business. Algonquin should benefit if [President Biden's infrastructure/renewable capital plan](#) is approved in the United States. However, it also has its own aggressive +\$9 billion capital plan that it is executing over the next four years.

In fact, from this, it expects to accrete 8-10% annual earnings-per-share growth over that time frame. Chances are good that its 4.5% dividend payout could also rise by the same rate. For a stable, growing stream of cash flow, this is [a great quality Canadian stock](#) to own for the long term.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
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3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ERE.UN (European Residential Real Estate Investment Trust)
5. TSX:MAGT (Magnet Forensics)
6. TSX:SU (Suncor Energy Inc.)

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**Author**

robbybrown

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