



3 of the Best Canadian Dividend Stocks to Buy in July 2021

Description

Reasonably valued Canadian dividend stocks are becoming more and more elusive. The **TSX** has had a very strong run in 2021. Yet, many [top dividend stocks](#) have risen and their yields have compressed. Dividend income is an important part of many Canadians' investment strategies. Yet, it is important to note that quality is far superior to quantity.

Look for distribution growth in Canadian dividend stocks

Canadian stocks that consistently raise their dividends do so because their businesses are strong and they are growing free cash flows regularly. Consistent dividend growth is a great indication of the health of a business.

Dividend growth is an ideal way to offset the effects of inflation on your portfolio. Businesses that yield strong, growing free cash flows generally benefit from strong economic environments. Consequently, they can raise their dividends at or above the rate of overall economic growth.

Today, it is somewhat cloudy where the stock market will go from here. As a result, it is important to make sure your portfolio is balanced with some high-quality Canadian dividend growth stocks. Here are three stocks that look pretty attractive right now.

A top Canadian dividend stock: Brookfield Renewables

[Renewable stocks have been forgotten in 2021](#). Yet, with climate change still a pressing issue across the globe, demand for renewable power should only rise over the next decade. **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is perhaps the highest quality way to play this rising trend. It is among the largest pure-play renewable stocks in the world.

While this Canadian dividend stock often fetches a premium in the market, it is because it has an irreplaceable portfolio of hydropower assets. It also operates a growing mix of wind, solar, distributable generation, and battery facilities. Currently, it has around 21,000 megawatts (MW) of power capacity.

However, it has a development pipeline with 27,000 MW in the works.

While this Canadian stock only yields 3.3% today, it has raised its dividend by a compound annual growth rate (CAGR) of 6% since 2012. This company targets annual total returns of 12-15%. Given its strong growth pipeline and opportunity, this is a solid [ESG stock](#) to buy and hold for a very long time.

A top defensive stock: Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) has raised its dividend for 47 consecutive years. You don't get more consistent than that! This is a tremendous defensive stock to own if you are concerned about volatility in the stock market. Fortis is a low beta stock, which means its capital returns have a low correlation to the wider stock market.

Fortis operates regulated transmission assets across North America. People need power and gas to live. As a result, it garners a very stable and predictable baseline of annual cash flows.

Right now, this Canadian dividend stock is investing heavily to expand its rate base. While it only yields 3.7% today, it expects to grow that rate by at least 6% annually for the next five years. Given the quality of its assets and cash flows, this is a great stock to tuck away and hold as a great anchor for any portfolio.

A top infrastructure stock: TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) has raised its dividend annually by an average of 9.3% over the past five years. Considering this stock is somewhat correlated to global energy markets, that is very impressive. Today, it pays a nice 5.8% dividend.

TC energy owns a diverse network of largely natural gas pipelines and infrastructure. In fact, it transports 25% of the natural gas demand in North America. Right now, it is advancing a \$20 billion capital plan (largely in natural gas assets) that should support annual dividend growth of 5-7% for the foreseeable future.

As the world looks to decarbonize, natural gas will be an important transition fuel, likely for decades to come. Consequently, this Canadian dividend stock should still remain very relevant to investors. It appears set for solid, stable returns for many years ahead.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:FTS (Fortis Inc.)
5. TSX:TRP (TC Energy Corporation)

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