



3 Dividend Stocks to Round Out Your Portfolio

Description

There's no doubt that chasing the returns provided by growth stocks can be very exciting and lucrative if done right. However, overweighting your portfolio to growth stocks leaves you at risk of major losses during market declines. Holding solid [dividend stocks](#), which may lag the market during bull runs, could help in the long run by protecting against losses during downturns. There are many excellent dividend companies in Canada, but here are three top dividend stocks to round out your portfolio.

One of Canada's most successful companies

The first company that investors should consider is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). As its name suggests, it is an alternative asset management firm. Brookfield focuses on acquiring real assets, which have inherent physical worth. Examples include real estate, infrastructure, and utilities. Brookfield has seen so much success that its subsidiaries could make excellent investment options themselves. The company is also led by Bruce Flatt, who has been dubbed "Canada's Warren Buffett" by many.

Since August 1995, Brookfield stock has managed to produce an average annual return of 15.92%. For perspective, that would have turned a \$10,000 investment into nearly \$470,000 as of this writing. Over that same period, the **TSX** has produced an average annual return of 5.92%. This proves that quality dividend stocks can beat the market.

Speaking of its dividend, Brookfield currently offers a forward yield of 0.92% with a payout ratio of 57.65%. The dividend is low for the time being. However, the company should be able to continue raising its distribution over the coming years.

An easy pick for Canadians

When it comes to investing in Canadian companies, many often turn to the banking industry because of its highly regulated nature. Due to the regulations put in place, it's very difficult for new or smaller companies to enter the market and displace the leaders. As a result, five companies have managed to

establish large moats. This group is known as the Big Five. Of that group, my favourite stock is **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)).

Although investors can make a solid argument for holding any of the Big Five in their portfolio, it should be noted that Bank of Nova Scotia has managed to differentiate itself from its peers. Unlike the other four companies, Bank of Nova Scotia isn't solely focused on the North American banking industry. Instead, it has decided to expand into the Pacific Alliance. This is an area which is forecasted to grow at a much faster rate than the G7 in the coming years. With a 4.44% forward dividend yield and a 58.06% payout ratio, this company stands out as a stock to hold for years.

One of the most reliable industries

When looking for downside protection against market downturns, investors should consider investing in companies that operate in industries that shouldn't get affected by the economy. The utilities sector contains many such companies. An example of a top company to consider for your portfolio would be **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

The company provides regulated gas and electric utilities to more than 3.4 million customers in Canada, the United States, and the Caribbean. One of the most prolific dividend companies in the country, Fortis holds the second-longest active [dividend-growth streak](#) at 47 years. Fortis's payout ratio does tend to reach higher levels (currently at 75%). However, the company's long history of smart capital allocation should alleviate any worries. It's forward dividend yield of 3.47% is nothing to scoff at either.

CATEGORY

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