



3 Great Reasons to Buy and Hold These Dividend Stocks

Description

The dividend stocks I'm about to introduce aren't your average kind of dividend stocks. They're extraordinary.

Therefore, these stocks won't ever be the best bargains at any time. For example, during a bear market, you might see these dividend stocks decline, but they won't fall as hard as average stocks.

Moreover, they won't give you the biggest gains either. However, you can have greater confidence that they can provide more secure long-term returns with below-average risk — if you buy at good valuations.

These dividend stocks have three things in common that are reasons to buy and hold them. First, they're quality businesses with above-average growth. Second, they have a track record of nice long-term returns. Third, their dividend growth serves as a gauge for the health of their businesses.

Brookfield Asset Management

Across the globe, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) owns and operates a diverse portfolio of alternative assets. Under its management are real estate, infrastructure, renewable power, private equity, and credit assets.

BAM's investment funds are popular among investors, because they have a track record of outperforming market returns by aiming for a 12-15% long-term rate of return. This led to the quality growth stock delivering 10-year annualized returns of almost 20%.

Since 2012, BAM has increased its dividend every year with a compound annual growth rate (CAGR) of 9.1%. Its 2020 payout ratio was less than 17% based on free cash flow. Since it maintains a very low payout ratio, it's highly unlikely to cut its dividend in the future, even when economic times are tough.

Intact Financial

Intact Financial ([TSX:IFC](#)) has a leading position in the fragmented industry of property and casualty (P&C) insurance in Canada. It also has leading international operations in the U.K. and Ireland.

Importantly, the company has historically outperformed the Canadian P&C industry in premium growth, combined ratio, and return on equity. The percentage point differences of 3.8, 5.5, and 6.4, respectively, in the past 11 years, make Intact Financial a clear winner.

Low-risk Intact Financial stock has delivered a nice return of about 13.6% per year in the last 10 years. It yields 1.9% and tends to increase its dividend over time. For reference, its 10-year dividend-growth rate is 9.3%.

Enghouse Systems

Enghouse Systems ([TSX:ENGH](#)) offers enterprise software solutions with regards to remote work, visual computing, and communications. Therefore, the business has been a general beneficiary last year during the pandemic, and the tech stock climbed as much as 50% in 2020.

However, its recent results have been lacklustre, which is why from the all-time high in 2020, the stock had a correction. Management reminded in the last quarter that “Enghouse continues to prioritize its long-term growth strategy over quarter-to-quarter results, investing in products while ensuring continued profitability and maximizing operating cash flows.”

The fact that Enghouse paid a special dividend of \$1.50 per share in early 2021 and increased its regular dividend this by 18.5% is a testament of management’s confidence in the business. Growth can resume as soon as next year.

[ENGH stock](#) has delivered incredible returns of about 30% per year in the last decade. As well, its 10-year dividend-growth rate is 21%. On a forward-looking basis, the tech stock could be an attractive buy now for a long-term investment.

The Foolish investor takeaway

All three quality dividend stocks are suitable [for new investors](#) who can withstand volatility in exchange for solid long-term returns. It would be safest if you have an investment horizon of at least five years.

Brookfield Asset Management and Intact Financial are slightly undervalued today. So, if you like their businesses on further research, consider buying positions in them.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:ENGH (Enghouse Systems Ltd.)
4. TSX:IFC (Intact Financial Corporation)

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