2 Canadian Dividend-Growth Stocks to Buy and Hold Forever

Description

Investment legends like Warren Buffett and Charlie Munger are all about buying and holding shares of companies they love for as long as possible. Indeed, an investment thesis can change over time. But with the types of companies that Buffett and Munger own for decades at a time, their moats are incredibly wide, such that any fundamental changes are likely to be only modest, even over an extensive timespan.

In this piece, we'll look at two wonderful businesses that investors looking to hold for decades may wish to check out at current valuations. Both names had remarkably wide moats that are likely to hold up, even as we enter a new age of technological transformation. Still, one must not discount the potential long-term impact of a concept we'll refer to as "moat erosion." Yes, the width of the moat is important for any investments one intends to hold for decades at a time. But the durability of such a moat is another question entirely.

CP Rail: A wide moat that's gotten wider

Take **CP Rail** (TSX:CP)(NYSE:CP)**,** a wonderful railway that hasn't seen that much in the way of change over the past few decades. The firm recently won the right to scoop up Kansas City Southern in what was a bitter bidding war with fellow Canadian railway **CN Rail**. Eventually, CP Rail won the war, but investor reaction was pretty mixed — at least initially, given the hefty price tag of KSU. Eventually, investors moved on, and CP stock melted up, as I urged investors to consider the longer-term value-creative potential behind the addition of KSU.

I think the true potential of having a railway moving through Canada, the U.S. and Mexico is just starting to set in. Indeed, there was a reason why CN was hungry to one-up CP for its prize. Given CN's vast size, though, its pursuit of KSU seemed like a long shot from the get-go.

Now that CP Rail is back in rally mode, I think investors should feel comfortable getting back into the name if they threw in the towel earlier in the year amid the bidding war. Why? CP has a remarkably wide moat that's gotten much wider. With the Mexico-U.S.-Canada exposure, I think CP's moat went from very wide to profoundly wide.

No longer is CP just a "lite" version of Canadian railway CN. It's gone from being a primarily Canadian railway with some U.S. to exposure to being a significant player in North America and a potentially go-to rail for those seeking to move goods from Canada to Mexico or vice versa.

CP is a wonderful business with a modest sub-1% dividend yield. But over time, that yield looks poised to grow at an above-average rate, especially if CP can really integrate KSU effectively.

Bank of Montreal

Fintech hype is real, but don't count on an app replacing the services of old-time banking behemoths like **Bank of Montreal** (TSX:BMO)(NYSE:BMO) anytime soon.

The firm has incredible banking exposure both in Canada and south of the border. More remarkably, the firm has picked up significant traction in wealth management. With a strong and growing lineup on Canadian ETFs, BMO is a great way to play the continued rise of the retail investor. Moreover, BMO has also invested a great deal in various fintech-like initiatives, making the name a far wider-moat option than most fintech fans would give it credit for.

Can fintech disruptors pressure BMO's moat in 10 years?

Sure, but it won't back down without a fight. With deep pockets and solid talent, I think it can hold its own, as it moves into the new age of banking.

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