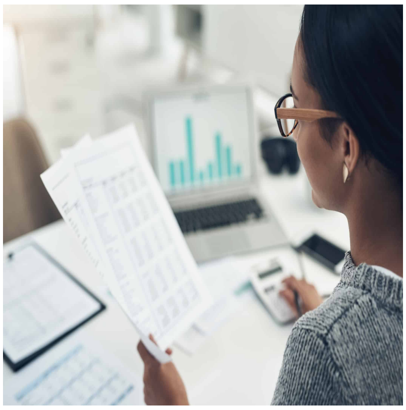

1 Investment Strategy That Works in a Higher-Rate Environment

Description

Many investors are reconstructing their portfolios today similar to what they did during the height of the global pandemic. However, unlike in 2020, the enemy isn't unknown in 2022. The out-of-control inflation and multiple interest rate hikes will erode purchasing power or cause financial strain.

The stock market has been unpredictable lately, so you can't afford to make mistakes with your investment choices. For example, growth-oriented companies lost favour with investors because they rely on debt to fund their expansion. Thus, market analysts say that dividend investing is back in style.

Winning strategy

Dividend-paying companies comprise a significant portion of Canada's equity market. According to the Global Asset Management group of **Royal Bank of Canada** (TSX:RY)(NYSE:RY), the power of dividends is indisputable. Dividend investing is a winning strategy.

Dividend income from quality stocks can compensate for or offset losses when the **TSX** declines. Besides boosting long-term returns, these stocks have shown lower volatility, historically. Darren McKiernan, head of the Mackenzie Global Equity and Income Team, said, "It's such an unpredictable moment right now in the markets."

McKiernan's advice is to focus on quality when reconstructing your portfolio. His team's portfolio managers, Katherine Owen and Ome Saidi, added, "The overarching goal is to find high-quality businesses with the free cash flow to support a healthy dividend."

However, the Mackenzie group warns against chasing after high yields, because it could be a red flag. If a company isn't curated for quality, the dividend payout might not be sustainable. McKiernan said further, "If the world goes back to the long-term averages, as a dividend-focused investor, you're probably in pretty good shape."

Most valuable TSX company

RBC, the TSX's largest company by market capitalization, is also the country's most valuable brand. In the 2022 Canada 100 report by Brand Finance, the $174.94 billion bank regained the number one post. **Shopify** took the top spot on the TSX early in the pandemic only to be dethroned by RBC in January 2022. As of this writing, the market cap of the e-commerce software powerhouse stands at $60.63 billion.

Double-digit income growth

In fiscal 2022 (12 months ended October 31, 2021), RBC's total revenue increased 5.1% versus fiscal 2021. Net income grew 40.3% year over year to $16 billion. Management followed up its 11% dividend increase in late 2021 with a 7% hike after the earnings release for Q2 fiscal 2022.

RBC's share price dropped to a low of $71.83 on March 20, 2020. As of June 27, 2022, the bank stock trades at $124.77 per share, or 73.7% higher than its COVID low. On a year-to-date basis, investors are down by only 5.46%. The dividend yield is 4.05%, while the payout ratio is only 39.86%.

The 47,053.73% (13.22% CAGR) total return in 49.57 years confirms the consistent, growing cash flows. Furthermore, RBC has been paying dividends annually without fail since 1870.

Ideal anchor stock

The complex environment in 2022 isn't new to RBC. It's the ideal anchor stock or core holding regardless of the market environment. The compelling reasons to invest in this blue-chip stock are strong balance sheet and earnings growth plus an investor-friendly dividend policy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/23
Date Created
2022/07/02
Author
cliew