



3 Canadian Stocks That Can Outperform the Market and Pay Dividends

Description

Companies with a long history of paying dividends are typically far past the days of high-growth. At some point, businesses begin to run out of areas of the business to reinvest in. Rather than reinvest back into the business, companies can decide to distribute profits to its shareholders.

Companies with a long track record of paying a dividend to shareholders tend to be valued as stable and reliable companies to own. With many Canadian companies offering dividend yields far upwards of 2%, those stable and reliable companies can act as a source of passive income for investors.

The one characteristic that many high-yield dividend stocks lack is growth. Income investors typically own shares of Dividend Aristocrats for reliable passive income, rather than the potential to earn market-beating growth. That doesn't mean it's impossible to find a company that can do both, however.

I've covered three Canadian stocks that not only own a dividend yield of 3% or more, but also possess a strong record of outperforming the Canadian market. While no dividend is ever guaranteed, there is a very strong chance that each of these dividend stocks will at least continue to outperform the market for the next decade.

Royal Bank of Canada

Valued at a market cap of almost \$140 billion, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest bank. Before **Shopify** overtook the number one spot earlier this year, it was also the largest publicly-traded Canadian company too.

It's been a tough year for the major Canadian banks, but RBC has been one of the stronger performers. Down 7% on the year, it's fared much better than Canadian's second-largest bank, **TD Bank**, which is down almost 20% since the beginning of 2020.

Canada's largest bank offers up a dividend yield above 4% today. Each share pays an annual dividend of \$4.32, good for a yield of 4.4% at today's stock price.

When looking at returns over the past decade, RBC has [crushed the Canadian market](#). The **S&P/TSX Composite Index** is up just under 30%, in comparison to RBC stock which is up more than 75%.

Brookfield Renewable Partners

While **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) might not get you a dividend yield above 4%, the returns will likely make up for that difference. The renewable energy provider has seen its stock price grow by more than 300% over the past 10 years, easily outpacing the returns of the Canadian market.

Not only has the stock been a market-beater over the last decade, but it has also enjoyed plenty of recent success too. The stock is up an impressive 45% year to date, compared to the Canadian market's return of -5%.

At an annual payout of \$2.32 per share, the stock offers a yield of 3.2% at today's stock price.

Brookfield Renewable Partners can also help limit the risk of a portfolio through the diversification of assets that it owns. The company provides energy through hydro, solar, and wind sources. The energy provider also owns operations in North & South America, Europe, and Asia.

Fortis

Sticking with energy providers, I've added **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) to my list of three top dividend stocks. Fortis is as [recession-proof](#) of a stock that Canadian investors will be able to find.

The company is an electric and gas utility provider for businesses and consumers across North America. Many businesses have temporarily and permanently closed during this pandemic, which no doubt has had an impact on revenue. But most consumers have continued to rely on Fortis to power their homes throughout this global pandemic.

The stock might be flat on the year, but it's up close to 70% over the past decade. That's good enough to double the returns of the Canadian market. Add in a dividend yield of 3.7% at today's stock price and you can see why Fortis could act as a pillar to any long-term Canadian investment portfolio.

Foolish bottom line

Although it may be hard to find a stock that offers both a high yield and market-beating growth, it's not impossible. Each of the three dividend stocks that I've covered can provide investors with stability to their portfolio, a high yield to generate passive income, and the potential to earn market-beating growth over the long term.

CATEGORY

1. Dividend Stocks
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3. Investing

POST TAG

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2. dividend stocks
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7. RY stock

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:FTS (Fortis Inc.)
6. TSX:RY (Royal Bank of Canada)

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