DSR 2021

DIVIDEND STOCKS ROCK

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DSR 10 MOST POPULAR

CANADIAN DIVIDEND STOCKS

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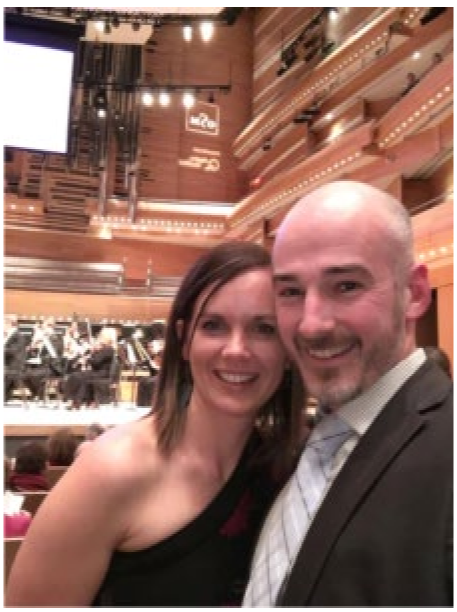
Have you ever wondered what successful investors have in their portfolios? I've used my DSR PRO database to identify which company is held by the most members (roughly 1,600 DSR PRO members). These seasoned and experienced investors have been around for a long time and some of them even rely on their dividends to finance their retirement. I've decided to share with you the DSR 10 Most Popular Canadian Dividend Stocks.

Let's sneak in and see what I like, what I don't like, and the role played in a portfolio for the top 5.

But first, if you're wondering who I am, here's a quick overview.

18+ YEARS OF INVESTING AND PLANNING AT YOUR SERVICE



My name is Mike Heroux and I'm the author of The Dividend Guy Blog, The Dividend Monk, along with being the founder of Dividend Stocks Rock (DSR) (yes, I thrive on staying busy!). I have an unusual sense of humor for a "nerdy finance guy".

I earned my bachelor's degree with a double major in finance and marketing along with an MBA in financial services. I worked in the financial industry for over a decade including 5 years as a certified financial planner and another 5 as a private banker managing accounts for high net worth (read $1M+) clients. Since 2003, I have been 100% invested in equities. I shifted my entire portfolio into a dividend growth investing strategy in 2010. I've been through market crises such as the credit crunch in 2008, the oil bust of 2015, the "flash crash" of 2018 along with the COVID-19 in 2020. I know how it feels to lose money and feel overwhelmed by the amount of information being disseminated by various market analysts. I've helped hundreds of retirees manage their portfolios in such a way as to assure their retirement was never at risk. I've always kept my portfolio aligned with my strategy and ended-up with great results. I'm now offering my assistance to thousands of investors like you so you all can **invest with conviction** and **enjoy your retirement**.

In 2016, my wife and I decided to leave everything behind and go for a 1-year RV trip across North America and Central America with our kids. We made it all the way down to Costa Rica. Upon our return in 2017, I decided to leave my job as a private banker and invested all my energy in my fledgling online business. I would rather pursue my dream of helping people invest through my websites, and since then, I have been a full-time online entrepreneur.

You can read more about my investing journey here.

TELUS (T.TO / TU) 835 MEMBERS

I'm surprised to see Telus being the most popular stock across all portfolios, but I must admit it's my favorite telecom. Telus generates most of its revenue from its wireless business segment. Its products and services include data and voice, devices, and Internet of things (IoT) solutions. It offers wireline products and services, such as residential services in British Columbia, Alberta, and Eastern Quebec, healthcare solutions, automation and security solutions, business services across Canada, and customer care and business services (CCBS) solutions offered internationally.

What I like

First, I like the wireless industry in Canada. There is still organic growth potential even if 90% of market share is controlled by three players (Telus, BCE, and Rogers). Canadians could use their smartphones more, and the development of 5G will enable additional growth vectors. My favorite part about Telus is how they diversified their business through artificial intelligence, healthcare, and agriculture. Instead of going after more media business, Telus is using technology to leapfrog its business into the future. It could be a hit or miss bet, but it could also mean that Telus will be among the next big "Canadian Tech" 10 years from now.

What I don't like

DEBT! It's a classic story among telecoms as they rack-up debt faster than teenagers eat hamburgers! Telus must invest massively in its network, in spectrum, and its new technology (AI, healthcare and agriculture segments). While I believe good debt exists, I also think that too much debt is also a concept to consider. We have been riding a low-interest rate market for several years now, but let's not be complacent!

What's its role?

Telus will please income seeking investors with its 4.6% yield, but it will also attract growth investors as its total return beat the TSX 60 over the past 5 and 10 years. A great balance of growth and "sleep well at night" ingredients.

TD BANK (TD.TO / TD) 754

TD Bank is the largest Canadian bank in terms of assets and exchanges first and second position with Royal Bank on most bank metrics. TD operates a classic business model mostly around banking activities (savings & loans). It has a strong presence in the U.S. with about 1/3 of its revenue coming from the other side of the border.

What I like

Everybody likes Canadian banks, right? When you pick among the top 2 largest banks you can't really go wrong. TD has a strong position in its markets on both sides of the border. I like its US exposure for additional growth (usually, the U.S. economy grows faster than the Canadian). They made a good move by selling Ameritrade to Schwab and now owns approximately 13.5% of Charles Schwab (SCHW). This means it receive dividends and enjoy capital growth potential moving forward.

What I don't like

When I do my Canadian bank rankings, I place TD #3 behind Royal Bank and National Bank. Therefore, there isn't much to dislike about TD. The reason why I don't see TD going higher in my ranking is its large exposure to the loan market vs RY and NA. As a more classic bank, TD takes less stock market risks, but by default, it is also more exposed to mortgages and commercial loan risks. A recession could greatly slowdown TD's growth. Will we ever get hit by a Canadian housing bubble? If that is the case, TD may take a good slap on the wrist.

What's its role?

TD is a sleep-well-at-night stock. This is the type of value you buy; you put it in a box and forget about it for the next 200 years (assuming you pass your shares along to your heirs!). Interestingly, you will get a fair share of growth at the same time!

BCE (BCE.TO / BCE) 725

Bell is a classic telecom company where it combines wireline (cables, internet, and phone), wireless and media. Bell Media provides conventional TV, specialty TV, pay TV, streaming services, digital media services, radio broadcasting services and out-of-home advertising services. In 2020, the wireline segment accounted for 55% of total EBITDA, while wireless accounted for 38%.

What I like

I don't want to say it, but I'll say it anyway; BCE's yield is probably it's most interesting feature. In a world where interest rates on bonds and GIC's can't match inflation, BCE is paying you a 5% to 6% yield. BCE enjoys a relatively stable business generating predictable cash flows. You buy BCE for its stability and income stream.

What I don't like

The company could eventually become another AT&T. While T pleased investors for several years, things are now starting to fall apart. BCE's debt burden could weigh too much on its ability to increase dividends. Always keep track of the dividend growth and start worrying if the trend slows down.

What's its role?

This stock is a "deluxe bond" crafted for income-seeking investors.

FORTIS (FTS.TO / FTS) 720

Fortis is an electric and gas utility. The company runs 10 regulated utility businesses across Canada, U.S., Belize, Cayman Islands and Turks & Caicos Islands. It counts 3.4M customers and 99% of its businesses are regulated utilities. This means the company operates in a monopoly-like environment. You can't have a better situation if you want to predict cash flows in the future.

What I like

Fortis is a symbol of stability. The company went through multiple crashes, recessions, and catastrophes and kept increasing its dividend each year for the past 47 years. Even better, FTS expects to keep up with a 6% annualized growth rate through 2025. How can management make such a promise? 99% of their business is regulated. The company has a good relationship with regulators and counts on a solid experience with its projects. Going forward, Fortis is expecting to be "coal free" by 2032 and it is currently moving toward wind & solar energy along with battery storage.

What I don't like

We recently saw how Pinnacle West (PNC) took a dive after Arizona regulators didn't approve the latest rate case. We keep saying that regulators could play hardball and destroy the expected value from a utility's CAPEX program. Well, Arizona just did it. It doesn't mean that Fortis will take a hit like this eventually. While the company is quite stable, it's also not a stock that will make you jump off your chair with flabbergasting investment returns. Expect Fortis to be a boring stock in your portfolio.

What's its role?

Fortis is a great defensive play. The company is likely going to increase its dividend no matter what happens with the economy. You can then count on a solid yield (between 3.5% and 4%) with consistent dividend increases.

ENBRIDGE (ENB.TO / ENB) 715

Enbridge is a massive pipeline company. It is responsible for about 25% of crude oil and 22% of all-natural gas transportation in North America. Its business platforms include a network of crude oil, liquids and natural gas pipelines, regulated natural gas distribution utilities and renewable power generation. The company generates about half of its profit from liquid pipelines, followed by gas transmission & distribution for another ~40%. The rest is coming from renewable power generation (let's hope it increases moving forward!).

What I like

Pipelines are like toll roads; like it or not, if you want to go faster, you must use the road and pay the toll. In other words, Enbridge collects money days and nights as oil & gas companies pay to use their transportation tool called "pipelines". Fortunately, the world needs a lot of oil & gas to run properly, and Enbridge provides an impressive network of pipes covering North America. Pipelines are sheltered from short-term commodity price movements as they typically enjoy long-term contracts. Finally, with 26 consecutive years with a dividend increase, you can count on Enbridge to pay its dues on time to its shareholders.

What I don't like

Legal battles. The construction, maintenance and replacement of pipelines has become a toxic topic of late. Politics and regulators are quite cautious about any projects related to oil & gas transportation. It has environmental impacts, and it doesn't get much popular vibrations across the general population. This means more legal battles, more fees and likely projects that go sideways. This also explains why Enbridge is offering such a generous yield. Remember, there is no free lunch in finance.

What's its role?

Enbridge has become a source of reliable cash flow for all its investors. Like BCE, don't expect much capital growth, but the yield combined with a steady dividend growth policy should convince you to grab a few shares to improve your portfolio average yield.

ROYAL BANK (RY.TO / RY) 702

Royal Bank will play a similar role as TD in your portfolio. I prefer this one for its greater diversification. I like how RY's business is distributed across classic banking operations (45%), capital markets (24%), wealth management (19%), insurance (7%) and investor & treasury services (5%). Capital markets operations are more volatile and will sometimes crash a quarter (we have seen this with BMO in 2020). However, it's also an amazing source of growth.

ALGONQUIN POWER (AQN.TO / AQN) 665

If you like utilities, you will like Algonquin. If you compare it to Fortis, you will find AQN as a winner if you are looking for growth and renewable energy. It shows a great balance between 65% of regulated business and 35% of renewable energy projects. Its aggressive CAPEX plan should lead to much growth, but this also means that AQN is racking-up debt and issuing more shares. This is obviously a double-edged sword. For a defensive play, pick FTS, but if you are looking for some adventure and growth AQN will be a great fit.

TC ENERGY (TRP.TO / TRP) 608

While Enbridge generates most of its revenue from liquid pipelines (read oil), TRP is all about natural gas. I like its expansion project through Mexico. TRP's natural gas pipeline network will remain its most important asset. The company offers a generous dividend growth policy fueled by long-term pipeline contracts (14 years on average). A heavy debt and potential pipeline battles are part of TRP's risk just as it is with Enbridge.

ALIMENTATION COUCHE-TARD (ATD.B.TO / ATD.A.TO / ANCUF) 590

I've discussed Couche-Tard many times at DSR, and I'm not surprised to see this one part of the top 10. While it offers a very low yield, ATD's superpower lies in its growth potential. The company counts on a mix of organic growth and growth by acquisitions to create value for shareholders. Don't let the low yield blind you, this is a resilient business that can survive a recession and will continue to grow fast over the coming years.

EMERA (EMA.TO / EMRAF) 544

The top 10 is closed out by another utility stock. Yield is apparently more important than growth across all the DSR PRO members. Emera is another solid utility offering growth through its regulated businesses in the U.S. (notably in Florida, a flourishing state). EMA has an ambitious CAPEX plan for the coming years. This utility is counting on several "green projects" consisting of hydroelectric and solar plants.

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HOW DSR CAN HELP YOU WITH YOUR INVESTMENTS?

I've always been passionate about investing. After a successful career in the financial industry, I quit my position as a private banker in 2016 to spend all my time on Dividend Stocks Rock (DSR). This unique dividend investing program now helps around 3,000 investors to invest with conviction and enjoy their retirement. DSR is rapidly growing, and our team is doing everything they can to help investors like you gain conviction and succeed. When I receive emails like this one from Anne, I feel like my DSR team is progressing in the right direction.

> *"I want to thank you for this excellent service. I have been a dividend growth investor for 30 yrs…*
>
> *Your service is the most outstanding I have found in years of searching, with consistent comforting advise and very much in line with my values…*
>
> *I appreciate your division of dividends into USD and CAN in the last PRO report. Please keep up the great work and I wish you and your team every success. The world needs more of you and much less of the kind of reporting that makes people think they need those pick pocket mutual fund salesmen."*

- Anne, DSR PRO member since July 2018.

DSR content clears the noise and gets straight to the point. Within minutes, you'll know if a company is worthy of your hard-earned money. No more doubts, no more "I should have / could have", the best investing tools are at your disposal to enjoy the retirement of your dreams.

Our portfolio models provide you with real-life examples of how to invest your money; in which type of companies and in which sectors.

Our stock screener and stock cards tell you all you need to know about a company within minutes. In a glimpse, you'll get the metrics you need to decide with conviction. Our ratings will tell you which stocks to look at and which dividends are safe.

Finally, our weekly newsletter keeps you up-to-date with timely buys, market commentaries and video answers to your questions. You will never again be left in the dark if you join our DSR community.

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Invest with conviction, enjoy your retirement

Investing is like hiking a mountain. It is challenging, but there is real fun throughout the journey and the end-result is highly rewarding. What makes hiking fun is having someone to share the adventure. Not someone that will do the hard work for you, but just a buddy that you can reach out to and discuss issues with while you are on your path to financial independence.

Market fluctuations create confusion and leave you with the impression you will lose all your savings. It doesn't have to be this way. Dividend Stocks Rock gives you the actionable tools you need to invest with confidence and retire stress-free.

To your success!

Founder of Dividend Stocks Rock.

P.S. You can forward this booklet to any of your friends who like dividend investing…