Bargain dividend stocks worth checking out

SHIRLEY WON
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Buying beaten-up dividend stocks can be a rewarding strategy: Investors get paid while waiting for their share prices to gain momentum.

Some dividend payers have taken a hit recently amid rising interest rates. Others have been hurt by rising or falling commodity prices. And some names have sold off due to political uncertainty or company-specific concerns, such as rising debt.

We asked Rob Lauzon, a dividend fund manager, for his top picks from the bargain bin.

ROBERT LAUZON, PORTFOLIO MANAGER, MIDDLEFIELD CAPITAL CORP.

His fund: Middlefield Canadian Dividend Growers

The pick: Brookfield Property Partners LP (BPY.UN-TSX)

52-week range: $23.28 to $31.10 a share

The Bermuda-based real estate company's struggling shares offer an appealing entry point for investors, says Mr. Lauzon. "You get a top-quality global management team overseeing some of the best retail locations and office buildings around the world. Their goal is to grow its dividend [now yielding more than 6 per cent] by 5 to 8 per cent a year." Shares of Brookfield Property Partners, which owns offices in London, have been hurt by Britain's vote to exit from the European Union and uncertainty about its foray into retail malls hit hard by e-commerce. Its stock trades at about a 35-per-cent discount to net asset value, but that should narrow to about 15 per cent over 18 months, he says. "That implies a target of $32.60 a share." Brookfield Property Partners, which recently acquired the U.S. mall operator GGP Inc., has a high debt load, which is a risk, but "I think it's manageable," he says.

The pick: Enbridge Inc. (ENB-TSX)

52-week range: $37.36 to $52.59 a share

Shares of the Calgary-based pipeline operator are poised to climb now that some headwinds have become tailwinds, says Mr. Lauzon. Investor concern about its profitability rose when oil traded at US$40 a barrel, but it's less of an issue at nearly US$70, he says. Pipeline and other dividend stocks have been hurt by rising interest rates, but "the adjustment has happened, so interest-sensitive stocks are no longer out of favour," he suggests. Minnesota regulators recently approved Enbridge's bid to replace its Line 3 oil pipeline despite opposition by environmentalists. A welcome move is Enbridge's plans to buy out its four public subsidiaries to undo its complex structure, he adds. Enbridge shares, which offer a yield of nearly 6 per cent, has cut its dividend-growth-rate forecast to an achievable 10 per cent, he notes. "My one-year target is $53.60 a share."