

DOWJONES | Newswires**CANADA TIP SHEET: Dividend-Payers Still Best Equity Bet, Avenue's Gardner Says**

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--Dividend-paying stocks in vogue

--Fund favors stable companies, growing dividends

--Bell Aliant, Inter Pipeline among top picks

By Edward Welsch

CALGARY--Stable dividend-paying stocks have been in vogue for the last couple of years, and the trend isn't over yet, said Paul Gardner, manager of the Harvest Canadian Income & Growth Fund.

Central banks are likely to keep interest rates low to support a weak global economy, said Mr. Gardner, a partner at Avenue Investment Management in Toronto. Low rates depress bond returns, while economic uncertainty makes for volatile swings in most stocks.

In this environment, stable, dividend-paying companies in the infrastructure, telecommunications, and utilities sectors are one of the few places investors can turn to for low-risk returns, Mr. Gardner said.

"I could make the case that rates are going to stay like this for the next two years, because the global economy is growing insufficiently," Mr. Gardner said. "So if you have to get into the equity markets, you should go into these types of businesses."

The Harvest Canadian Income & Growth Fund has outperformed peers and the broader stock market, returning 17.3% over the last 12 months through July, compared with a 9.9% decline in the S&P/TSX Composite Index over the same period. The fund has returned 38.2% since its inception in May 2010.

Mr. Gardner said Avenue Investment created the fund in anticipation of a market shift toward dividend stocks, and he attributes part of its success to recognizing that trend early. The fund now has 36.8 million Canadian dollars (US\$37.2 million) in assets under management.

The fund favors stocks from companies that have a competitive advantage, that aren't likely to suffer much during a recession, and that have opportunities to expand their businesses and to increase their dividends, Mr. Gardner said.

One of the fund's top holdings is Bell Aliant Inc. (BA.T), a telecommunications company that serves the Canada's Maritime provinces. It offers a 7% yield and its new fiber-optic service is taking market share away from cable companies in the area, Mr. Gardner said. Since it's also 44% owned by BCE Inc. (BCE), parent of Bell Canada, there's a chance it could be bought by Bell Canada in the future, getting investors an acquisition premium, he said.

In the energy sector, Mr. Gardner invested the fund in Inter Pipeline Fund (IPL.UN.T), which operates oil and gas pipelines in western Canada. Inter Pipeline operates one of the largest pipeline-gathering systems that takes oil-sands crude out of northern Alberta. With the oil-sands industry growing rapidly, demand for Inter Pipeline's services will continue to be in heavy demand by oil producers and it may increase its dividend from 5% currently, he said.

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