Unhappy With Bond Yields? Try These High-Yielding Stocks Instead

Description

In the last 30 years, interest rates have primarily marched in one direction — straight down.

In June 1984, Canadian investors buying a two-year bond could count on a yield of more than 13%. A decade later, rates had fallen to a still respectable 5.9%, and then, during 2004, yields on the same bond fell to just 3.2%.

These days, many investors would be thrilled with government bonds that gave yields as generous as those of a decade ago. Current two-year government bonds yield right around 1%, while 10-year debt yields just 2.5%. It's little wonder individual investors have moved away from traditional fixed-income investments like bonds or GICs and invested more into high-yielding equities.

But which equities should investors choose? There are certain stocks that offer investors consistent growth, rock solid dividends, and have huge competitive advantages, which makes it unlikely that they'll ever get surpassed by upstart rivals. No stock is risk-free, but buying some of the best names in the market sure does take a lot of that risk away. Plus, investors get the potential capital gains from investing in high-quality equities.

Telus

One terrific choice for investors is **Telus** (TSX: T)(NYSE: TU), which just surpassed **BCE** as Canada's second-largest wireless provider. Telus also provides customers with home phone, internet, and most recently, television service. Although Canadian consumers are starting to cut some of Telus's services, the company has such a dominant position in the market that it can easily increase prices to more than make up for this.

The company's results have been stellar. Telus is never going to grow like crazy, but it continues to increase revenue around 5% a year, and profits at a slightly faster pace, just like clockwork. The company is rewarding shareholders too, pledging to increase its dividend twice per year until 2016. The company's current yield is 3.8%, which easily beats most fixed-income options.

Management is also rewarding investors with share buybacks. The company announced it would buy back up to 16 million of its shares by the end of 2014, which is about 3% of the company's float. Combine the share buybacks and the dividend, and Telus shareholders are being rewarded at a pace of about 7% a year.

RioCan REIT

Investors looking for more current yield with a little less growth should be interested in **RioCan REIT** (TSX: REI.UN), Canada's largest commercial REIT. The company owns some of the finest retail shopping facilities in the country, along with enough U.S. exposure that it gets about 15% of its business from down south.

RioCan's main tenants are some of the highest-quality companies in Canada –names like **Loblaw**, **Walmart**, and **Canadian Tire** are listed among its top leasers. These companies aren't about to start skipping rent cheques, especially since RioCan's facilities have some of the best locations in the business.

The company is a steady performer, paying investors a yield of 5.2%. It won't raise its dividend as fast as Telus, but if history is any indication, investors can expect small periodic raises. RioCan is a perfect bond substitute, complete with a yield more than twice that of a 10-year bond.

Canadian Oil Sands

Thanks to the current geopolitical tensions in Iraq, oil prices have gotten a nice pop. How can dividend-oriented investors ride this trend?

One of the best ways is through **Canadian Oil Sands** (TSX: COS), which produces more than 90,000 barrels of oil per day from its share of the Syncrude partnership in Alberta's oil sands. No other company is going to give investors pure exposure to the oil sands, as well as a 5.7% yield.

Other oil companies are constantly on the lookout for more reserves, which carries a risk for investors. What happens if a company struggles with replacing its reserves? Investors in Canadian Oil Sands won't have to worry about that for a long time, since the company has more than 40 years of reserves left at current production rates.

Cost overruns are plaguing other oil sands operators, causing them to pull the plug on planned expansion plans. Since the company has been operating in the region for decades now, this is less of a problem for it compared to other producers. This translates into steady returns for income-oriented investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:T (TELUS)

Category

1. Investing

Date
2025/08/28
Date Created
2014/06/23
Author
nelsonpsmith