

## Like Yield? Then You'll Love These 3 Stocks With 5% Dividends

### Description

In a world where 10-year bonds pay barely 2% and five-year GICs are even worse, many investors are looking to add some serious yields to their portfolio.

But they have to be careful. After 30 years of interest rates heading down, many pundits are calling for a very violent reaction for interest-sensitive stocks when rates do start to normalize.

But I'm not sure I buy that argument. Firstly, I think we're in a long-term trend of ultra-low rates, much like the period immediately after World War II. Our economy just doesn't have the growth potential to send rates higher, especially with government debt levels so high.

Plus, even if rates creep up a bit, it's not like interest-sensitive stocks will get crushed immediately. The difference between government bonds yielding 2.5% compared with 2% isn't much. There aren't many investors who are going to abandon something paying 5% to buy a slightly more attractive government bond.

I think investors who want some nice yield now don't have to worry too much about rates going much higher in the future. Consider the issue as something you tuck in the back of your mind, nothing more. Instead, focus on getting decent income now, while making sure the payout is secure.

Here are three stocks that pay generous yields, and also have potential to rise in the future.

### Calloway

Although the common advice is to avoid REITs with a heavy concentration on one tenant, I think making an exception for **Calloway Real Estate Investment Trust** (TSX:CWT.UN) is prudent, especially when you consider the strength of its largest tenant—**Wal-Mart Stores Inc.**

With its latest acquisition, Calloway now has about 75% of its developments anchored by a Wal-Mart store. Since Wal-Mart locations are consistently busy, this drives traffic, which attracts other tenants to the same mall. Because of this, Calloway currently has an occupancy ratio of 99%, among the highest in the whole REIT sector.

Thanks to recent weakness in the shares, investors who buy in today can count on a 5.5% dividend. The payout ratio is also pretty solid, coming in at less than 85%. And when the company's 2.7 million square feet of new developments come online, the dividend could easily head higher.

### Pizza Pizza

If you want to be the man of the hour, pizza is usually a pretty good choice for a family dinner. Channel that same feeling into your investments with **Pizza Pizza Royalty Corp.** ([TSX:PZA](#)), the parent company of Canada's largest pizza chain.

Pizza Pizza is a simple business. Franchisees pay the company a set percentage of sales, plus the fee to open the franchise in the first place. They also pay the company additional cash each year to take care of the advertising, and that's about it. It's an incredibly lean operation for a chain with 730 locations.

The current dividend is 5.8%, which has grown approximately 5% per year since 2012. Look for the company to continue paying slowly rising distributions in the future as the top line continues to creep up.

## Husky Energy

If you're a believer in the future of oil, now is a terrific time to invest in the sector. Think of it as loading up on shares that are on sale.

One of the better mixes of value and stability in the sector is **Husky Energy Inc.** (TSX:HSE), one of the larger oil sands producers. If you include its Atlantic Canada and Asian production, the company is projected to produce about 330,000 barrels of oil per day in 2015, with an increase of about 15% over the next couple of years.

Although recent results don't look pretty, it's only a matter of time until crude recovers and takes Husky shares higher with it. And in the meantime, investors are getting a dividend that is right at 5% and is among the more solid payouts in the sector. In a couple of years, I think most investors who aren't buying oil right now will be kicking themselves. Will you be one of them?

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:PZA (Pizza Pizza Royalty Corp.)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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