2 Solid Stocks for Income Investors

Description

The bloodbath in the energy sector has wiped out a large number of Canada's former dividend darlings, and many income investors are rethinking their strategy when searching for reliable yields.

Balance is the key, especially in the Canadian market where the majority of companies sit in the dominant three sectors: financials, energy, and materials.

With this thought in mind, I think income investors should consider **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI).

Here's why.

RioCan

RioCan operates 293 retail properties in Canada and another 47 in the United States. The stock dropped more than 20% from May to mid-September as investors worried about an impending interest rate hike in the U.S. and the risk of a prolonged economic slowdown in Canada.

While legitimate, the concerns were probably overblown, and that's why the stock is catching a bit of a tailwind right now.

RioCan's anchor tenants are big companies with strong operations, which means they are more than capable of riding out a tough economic environment. Some of the stores that sell high-end products could be affected, but they have been through this before. Others actually benefit when consumers start to pinch pennies because they already target bargain shoppers.

As a result, RioCan shouldn't see much of an impact unless things really get bad and stores start to close their doors.

Investors can look at RioCan's Q2 2015 numbers to get a sense of how things are going. The company reported a solid 7% year-over-year gain in funds from operations and signed up 1.1 million square feet of retail space at an average rent increase of 9.8%.

That suggests RioCan's tenants are not overly concerned about the economic environment.

On the interest rate side, the U.S. will eventually begin to move rates higher, but the increases will likely be small and spread out. As such RioCan should be able to adjust.

RioCan pays an annualized distribution of $1.41 per share that yields about 5.5%.

Rogers

Rogers is working its way through a turnaround in its cable and mobile operations. The challenges in those segments continue, but the company is making decent progress.

When the Q2 2015 numbers came out, things actually looked pretty good. Free cash flow for the quarter was up a solid 9% compared with the same period last year, and the fears about a mass exodus of mobile customers appear to have been overblown.

On the media side, Rogers is hitting a home run right now. The company owns the Toronto Blue Jays as well as the Rogers Centre and the media outlets the Jays games are broadcast on.

The team's incredible success in the back half of the season has meant a windfall of extra sales, and much of the revenue is on high-margin items like parking, tickets, clothing, and food.

Investors are taking notice and the stock is trading at a 12-month high on the anticipation of strong Q3 earnings. With the NHL season underway, an improvement over last year's audience numbers could carry the momentum right into 2016.

Rogers pays a quarterly dividend of $0.48 per share that offers a reliable 4% yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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