Income Investors: 3 Inexpensive Stocks With Juicy Monthly Dividends

Description

These stocks pay out healthy monthly dividends from cash flows generated from their operations. Compared to a typical exchange-traded fund such as **BMO Canada Dividends ETF** (TSX:ZDV), **Alaris Royalty Corp.** (TSX:AD), **Vermilion Energy Inc.** (TSX:VET)(NYSE:VET), and **American Hotel Income Properties REIT LP** (TSX:HOT.UN) pay higher yields. The ETF yields 4.7%, while these stock's yields range from 5.9% to 8.7%.

The BMO dividend fund holds a yield-weighted portfolio of Canadian dividend stocks, which can be dangerous because the highest-yielding stocks might be set to cut their dividends. This BMO fund considers three-year dividend-growth rates, yields, and payout ratios for its potential holdings. The underlying portfolio is rebalanced in June and reconstituted in December.

Alaris, Vermilion, and American Hotel are all at least fairly valued, which makes them relatively safer choices for income than many other companies.

Alaris Royalty

Alaris provides cash financing to well-run, profitable, private businesses in North America in exchange for monthly cash contributions. These distributions are adjusted each year based on the year-over-year percentage change in a top-line performance metric, such as net sales, gross profit, or same-location sales. Alaris aims to partner with these businesses that have proven track records of stability and profitability in changing economic conditions for the long term.

From 2009 to the present, Alaris has outperformed by generating total returns of 300%, equating to annualized returns of 21%. At $27.40 per share, Alaris yields 5.9%. The company has increased its dividend for eight consecutive years. Its monthly dividend of 13.5 cents per share is 8% higher than it was a year ago.

Vermilion Energy

Vermilion's advantage over its peers comes from enjoying premium pricing from its international oil and gas assets. Vermilion estimates that this year Brent Oil will contribute 43% of its funds from operations

(FFO) and European gas will contribute 37%. The company is conservatively run with a debt-to-FFO ratio of about 2.7 times. Vermilion has increased its distribution three times since 2003. At $37.80, it yields 6.8%.

On March 1, Vermilion estimated its FFO will decline 32% this year if oil and gas prices remained at low prices. So, interested investors should buy on dips and/or average in to a position over time to lower risk.

American Hotel Income Properties REIT

Real estate investment trusts (REITs), such as American Hotel, typically pay high yields because they pay out most of their cash flows to shareholders. The hotel REIT yields 8.7% with a safe payout ratio of about 75%.

Canadian shareholders of American Hotel would have seen a decrease in their distributions (if their accounts only hold Canadian currency) because the REIT just recently switched from paying a U.S.-denominated distribution to a Canadian dollar-denominated one.

Because U.S. dividends contribute to American Hotel's distribution, to get the full distribution with no foreign withholding tax, interested investors can consider holding it in an RRSP.

As of January the REIT had 80 hotels across 27 states; more than half of its net operating income came from its railway clients, including **Union Pacific**, BNSF, **CSX**, and **Canadian Pacific**. The REIT has long-term contracts of at least 25 years with the rail giants.

Conclusion

Alaris, Vermilion, and American Hotel are diversified monthly dividend stocks that are inexpensive with above-average yields of 5.9-8.7%. Income investors should consider them, especially on price dips.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:HOT.UN (American Hotel Income Properties REIT LP)
4. TSX:VET (Vermilion Energy Inc.)
5. TSX:ZDV (BMO Canadian Dividend ETF)

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