



3 Small-Cap Dividend Gems for Higher Returns

Description

Small-cap companies generally grow faster than larger firms because it's easier for companies with market caps of \$500 million to grow to \$1 billion than it is for companies to grow from market caps of \$10 billion to \$20 billion—a growth of 100%.

Small caps are also typically under the radar because bigger companies get most of the media attention. Additionally, there are restrictions on many mutual funds such that they can only buy shares of companies of certain sizes. So chances are small-cap opportunities are priced at more reasonable valuations than well-known large caps.

Here are three small-cap gems you should consider today. What's more to like is that they all pay a dividend, so you get paid to you own a piece of the companies.

Exco Technologies Limited ([TSX:XTC](#)) supplies innovative technologies servicing the die-cast, extrusion, and automotive industries. It serves customers in 20 strategic locations across 10 countries with operations based in Canada, the United States, Mexico, Colombia, Brazil, and Thailand.

Although Exco only yields 1.8% at \$15.2 per share, it has increased its dividend for a decade at an average rate of 17%! And its payout is only about 29% of its 2015 earnings.

Most importantly, the company essentially has a debt-free balance sheet, so the chances of it going bankrupt are very slim. Additionally, it trades at a reasonable multiple of about 13.2, while it's expected to continue its double-digit growth trajectory.

The only concern is that it wasn't recession-proof in the financial crisis of 2008-2009. The company's earnings were negative in the fiscal year 2009, but it quickly recovered to its 2008 earnings by 2010.

Plaza Retail REIT ([TSX:PLZ.UN](#)) owns and develops retail properties with a focus on eastern Canada. It has 301 properties totaling about 7.1 million square feet across Canada and it has lands held for development. Its properties include strip plazas, stand-alone, small-box retail outlets, and enclosed shopping centres.

Plaza yields almost 5.6% and has increased its dividend for 13 consecutive years. It last hiked it by 4% in January. With an annual payout of \$0.26 per share, its payout ratio is about 80%. The shares are fairly valued at about \$4.7 per share.

American Hotel Income Properties REIT LP ([TSX:HOT.UN](#)) owns about 80 hotels across 27 states in the United States. Over 50% of its net operating income comes from its railway clients, such as **Union Pacific** and **CSX**, which it has long-term contracts with.

The REIT doesn't pay a growing dividend but has an exceptionally high yield of almost 8.7%. With a payout ratio of about 70%, its yield is safe.

Conclusion

These three reasonably priced small caps are great considerations to boost the growth of your portfolio. Specifically, Exco is poised for double-digit growth, Plaza provides a balance of current income and moderate growth, and American Hotel offers a juicy yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)
2. TSX:PLZ.UN (Plaza Retail REIT)
3. TSX:XTC (Exco Technologies Limited)

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