



## 3 Excellent Small Caps for Income Investors

### Description

If you're interested in monthly dividend stocks, whether you're looking to supplement your income or you're trying to beat the market, then I've got three small caps that you will love. Let's take a quick look at each, so you can determine which one belongs in your portfolio.

#### 1. Exchange Income Corporation

**Exchange Income Corporation** ([TSX:EIF](#)) is a diversified, acquisition-oriented company focused on the aviation, aerospace, and manufacturing sectors. Its subsidiaries include Bearskin Lake Air Service, Calm Air International, Perimeter Aviation, Provincial Aerospace, Overland Manufacturing, and Stainless Fabrication.

It pays a monthly dividend of \$0.1675 per share, or \$2.01 per share annually, which gives its stock a yield of about 6.4% at today's levels.

It's also important to make two notes.

First, EIC has raised its annual dividend payment for five consecutive years, and its two hikes over the last 12 months have it on pace for 2016 to mark the sixth consecutive year with an increase.

Second, I think its robust growth of cash flow less maintenance capital expenditures, including its 52.5% year-over-year increase to \$0.61 per share in the first quarter of 2016, paired with its ever-falling payout ratio, including 78.7% in the first quarter compared with 108.8% in the year-ago period, will allow its streak of annual dividend increases to continue for many years to come.

#### 2. Dream Global REIT

**Dream Global REIT** (TSX:DRG.UN) is one of the largest owners and operators of commercial real estate in Europe. It has a portfolio of 203 properties located across nine major markets in Germany and Austria that total approximately 13.5 million square feet.

It pays a monthly distribution of \$0.06667 per share, or \$0.80 per share annually, which gives its stock

a yield of about 8.8% at today's levels.

It's also important to make two notes.

First, Dream Global has maintained its current annual distribution rate since it went public in 2011.

Second, I think its consistent generation of adjusted funds from operations, including \$0.73 per share in fiscal 2015 and \$0.20 per share in the first quarter of 2016, paired with its modest cash payout ratio, including 87.3% in the first quarter, will allow it to continue to maintain its current distribution rate over the long term.

### **3. Morneau Shepell Inc.**

**Morneau Shepell Inc.** (TSX:MSI) is one of North America's leading providers of human resources consulting and outsourcing services, including health and productivity, administrative, and retirement solutions.

It pays a monthly dividend of \$0.065 per share, or \$0.78 per share annually, which gives its stock a yield of about 4.55% at today's levels.

It's also important to make two notes.

First, Morneau Shepell has maintained its current annual dividend rate since 2011.

Second, I think its increased amount of normalized free cash flow, including its 8% year-over-year increase to \$15.3 million in the first quarter of 2016, paired with its low normalized payout ratio, including just 61.5% in the first quarter, could allow it to raise its dividend in the very near future.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:EIF (Exchange Income Corporation)

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