



2 Attractive Small Caps for Income Investors

Description

If you're an income investor looking for a stock to add to your portfolio, then I've got two high-quality small caps you will love. Let's take a closer look at each, so you can determine if you should buy one or both of them today.

1. Morguard Real Estate Investment Trust

Morguard Real Estate Inv. ([TSX:MRT.UN](#)) is one of Canada's largest owners and operators of commercial real estate. Its portfolio consists of 49 properties, comprising of 23 office properties, 21 retail properties, and five industrial properties totaling approximately 8.7 million square feet. These properties are located across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Quebec.

It currently pays a monthly distribution of \$0.08 per share, representing \$0.96 per share on an annualized basis, which gives its stock a very high yield of about 6.1% at today's levels. This yield is also very safe when you consider that its adjusted funds from operations (AFFO) totaled \$0.62 per share and its cash distributions totaled just \$0.48 per share in the first half of 2016, resulting in a rock-solid 77.4% payout ratio.

Investors should also note that Morguard has maintained its current annual distribution rate since 2013, and its consistent AFFO generation, including \$1.28 per share in fiscal 2015 and \$0.62 per share in the first half of 2016, and its very high occupancy rate, including 97% as of June 30, could allow it to continue to do so for the foreseeable future.

2. Morneau Shepell Inc.

Morneau Shepell Inc. ([TSX:MSI](#)) is one of the leading providers of health, productivity, and absence management solutions, employee-assistance programs, and retirement and benefit consulting services to organizations in Canada, the United States, and around the globe directly and through its distribution channel partners.

It currently pays a monthly dividend of \$0.065 per share, representing \$0.78 per share on an

annualized basis, which gives its stock a very high yield of about 4.2% at today's levels. This yield is also very safe when you consider that its normalized free cash flow totaled \$33.89 million and its dividend payments totaled just \$19.27 million in the first half of 2016, resulting in a sound 56.9% payout ratio.

Investors should also note that Morneau has maintained its current annual dividend rate since 2011, and its increased amount of free cash flow, including its 21.9% year-over-year increase to \$61.58 million in fiscal 2015 and its 12.1% year-over-year increase to \$33.89 million in the first half of 2016, and its reduced payout ratio, including 56.9% in the first half of 2016 compared with 61.9% in the same period a year ago, could allow it to continue to do so going forward or allow it to announce a significant hike in the near future.

Which of these income stocks should you buy today?

Morguard and Morneau Shepell could provide your portfolio with a reliable stream of monthly income, so take a closer look at each and strongly consider making at least one of them a core holding today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRT.UN (Morguard Real Estate Investment Trust)

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