



2 Reliable +5% Yielders for Your Income Portfolio

Description

As income investors, we're always on the lookout for high-quality stocks with reliable distributions, because Guaranteed Investment Certificates and savings accounts simply don't offer yields anywhere close to what can be earned in the stock market.

Let's take a closer look at why **H&R Real Estate Investment Trust** ([TSX:HR.UN](https://www.scribd.com/document/411111111/TSX:HR.UN)) and **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](https://www.scribd.com/document/411111111/TSX:CHE.UN)) are great picks for income today.

H&R Real Estate Investment Trust

H&R is one of the largest diversified REITs in North America. As a REIT, it owns or finances income-producing real estate, and one of its objectives is to provide its shareholders with a stable and growing stream of cash distributions. As of June 30, H&R's portfolio consists of 515 retail, industrial, office, and residential properties, comprising of approximately 46.4 million square feet located across Canada and the United States.

H&R pays a monthly distribution of \$0.1125 per stapled unit, representing \$1.35 per stapled unit on an annualized basis, and this gives its stock a yield of about 5.8%.

The safety of a REIT's yield is also easy to confirm. All you need to do is make sure that its funds from operations (FFO) per unit meets or exceeds its distributions per unit. Or if it provides its payout ratio, make sure that it does not exceed 100%. In the first half of 2016, H&R's FFO totaled \$1.03 per stapled unit, and its distributions totaled just \$0.68 per stapled unit, resulting in a conservative 66% payout ratio.

It's also important to note that H&R has maintained its current annual distribution rate since 2013, and its consistent growth of funds from operations, including its 3.3% year-over-year increase to \$1.88 per stapled unit in 2014, its 3.7% year-over-year increase to \$1.95 per stapled unit in 2015, and its 6.2% year-over-year increase to \$1.03 per stapled unit in the first half of 2016, could allow it to continue to do so for many years to come or allow it to announce a hike whenever its management team so chooses.

Chemtrade Logistics Income Fund

Chemtrade is one of the world's leading providers of industrial chemicals and related services. Its chemical offerings include sulfur, sulfuric acid, sodium chlorate, potassium chloride, and zinc oxide, and its service offerings include spent acid and hydrogen sulfide processing.

Chemtrade pays a monthly distribution of \$0.10 per unit, representing \$1.20 per unit on an annualized basis, and this gives its stock a yield of about 6.8%.

Confirming the safety of Chemtrade's yield is similar to H&R REIT, but the only difference is that you make sure its distributable cash after maintenance capital expenditures per unit, rather than FFO, meets or exceeds its distributions per unit. In the first half of 2016, Chemtrade's distributable cash after maintenance capital expenditures totaled \$1.12 per unit, and its distributions totaled just \$0.60 per unit, resulting in a very conservative 53.6% payout ratio.

The company has also maintained its current annual distribution rate since 2007, and I think its ample generation of distributable cash after maintenance capital expenditures year after year, including \$1.81 per unit in 2013, \$2.10 per unit in 2014, \$1.97 per unit in 2015, and the aforementioned \$1.12 per unit in the first half of 2016, could allow it to continue to do so for the foreseeable future.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:HR.UN (H&R Real Estate Investment Trust)

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