



2 Stocks With +7% Yields to Add to Your RRSP

Description

Dividend stocks are the foundation of great retirement portfolios, because as history has shown, they far outperform non-dividend-paying stocks over the long term.

Let's take a closer look at why **Capital Power Corp.** ([TSX:CPX](#)) and **Slate Office REIT** (TSX:SOT.UN) would be great additions to your RRSP today.

Capital Power Corp.

Capital Power is a growth-oriented, North American, independent power producer. It owns more than 3,200 megawatts of power-generation capacity at 18 facilities across Canada and the United States, and it has more than 700 megawatts of owned generation capacity in advanced development in Alberta and Kansas. Its facilities generate power from a variety of energy sources, including natural gas, wind, coal, solar, and solid fuels.

One of Capital Power's key attributes is that it has a largely contracted asset base, resulting in stable and predictable cash flows, and this allows it to return a significant amount of cash to its shareholders in the form of dividends.

Speaking of dividends, Capital Power currently pays a quarterly dividend of \$0.39 per share, representing \$1.56 per share on an annualized basis, and this gives its stock a very high yield of about 7.2% at today's levels. This yield is easily confirmed as safe when you consider that its cash flows from operating activities totaled \$201 million and its dividend payments totaled just \$71 million in the first half of 2016, resulting in a very conservative 35.3% payout ratio.

On top of having a very high yield, Capital Power has grown its dividend at a very consistent rate. It has raised its annual rate by 10 cents per share every year since 2013, resulting in a 23.8% annualized increase in that span. It also has a dividend-growth target of 7% annually through 2018, and I think its very strong growth of cash flows from operating activities, including its 66.1% year-over-year increase to \$201 million in the first half of 2016, will allow it to achieve this target.

Slate Office REIT

Slate Office REIT is one of Canada's largest owners and operators of office properties. Its portfolio consists of 34 strategically and well-located office properties, comprising of approximately 4.7 million square feet located across Canada's major population centres.

Slate's primary differentiator is its investment strategy, which is to acquire high-quality, "non-trophy," downtown and suburban office properties that are often overlooked by large real estate investors. The properties it targets are fundamentally mispriced and can often be acquired for less than it would cost to build them, which "reduces risk, protects capital, and increases returns."

There are three other important notes to make about Slate. First, it has zero exposure to the troubled Albertan office market. Second, less than 3% of its net operating income is affiliated with the oil and gas industry. Third, over 45% of its income is derived from investment-grade tenants, including **Manitoba Telecom Services**, the Government of Canada, **BCE Inc.**, **SNC-Lavalin**, the province of New Brunswick, the province of Nova Scotia, and the province of Manitoba.

Slate pays a monthly distribution of \$0.0625 per unit, representing \$0.75 per unit on an annualized basis, which gives its stock a very high yield of about 8.7% at today's levels. A yield this high may cause some investors to doubt its stability, but it's actually very safe when you consider that the company's adjusted funds from operations (AFFO) totaled \$15.53 million (\$0.44 per unit) and its distributions totaled just \$13.54 million (\$0.375 per unit) in the first half of 2016, resulting in a sound 87.2% payout ratio.

Slate is also a very reliable income provider. It has maintained its current annual distribution rate since its initial public offering in December 2012, and I think its very strong AFFO growth, including its 25.7% year-over-year increase to \$0.44 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

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)
2. TSX:RPR.UN (Ravelin Properties REIT)

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