



Supplement Your Income With These 5-8% Yielders

Description

GICs, term deposits, bonds, and other traditional sources of income yield next to nothing these days, so savvy investors are turning to monthly dividend stocks to supplement their income.

Let's take a closer look at why **First National Financial Corp.** ([TSX:FN](#)) and **American Hotel Income Properties REIT LP** ([TSX:HOT.UN](#)) should be two of your top picks for income today.

First National Financial Corp.

First National is the parent company of First National Financial LP, which is Canada's largest non-bank originator and underwriter of mortgages with over \$96 billion in mortgages under administration as of June 30. It's also among the top three in market share in the mortgage broker distribution channel.

First National pays a monthly dividend of \$0.141667 per share, representing \$1.70 per share on an annualized basis, giving its stock a high yield of about 5.6% at current levels.

Its earnings support its dividend. In the first half of 2016 First National's net earnings attributable to common shareholders totaled \$75.62 million, and its dividend payments totaled just \$47.97 million, resulting in a rock-solid 63.4% payout ratio.

First National has also shown a strong dedication to growing its dividend. It has raised its annual dividend payment for four consecutive years, and its two hikes in the last 12 months have it on pace for 2016 to mark the fifth consecutive year with an increase.

I think First National's consistently strong earnings growth, including its 5.6% year-over-year increase to \$102.47 million in fiscal 2015 and its 113.6% year-over-year increase to \$75.62 million in the first half of 2016, and its growing portfolio of mortgages under administration, including its 7.2% year-over-year increase to a record \$96.59 billion in the first half of 2016, will allow its streak of annual dividend increases to continue for many years into the future.

American Hotel Income Properties REIT LP

American Hotel Income Properties REIT LP, or AHIP for short, is the only Canadian real estate investment trust (REIT) focused exclusively on the U.S. hotel industry.

AHIP's focus is on acquiring, renovating, and developing Oak Tree Inn hotels—the leading provider of crew lodging to the U.S. freight railroad industry. Its hotels are strategically located in areas that benefit its rail partners, which include **Union Pacific**, **CSX**, and **Canadian Pacific**. As of June 30, it owns and operates 45 Oak Tree Inn hotels located across 22 states as well as 27 Penny's Diner restaurants located adjacent to some of its hotels.

AHIP also owns and operates 35 select-service hotels affiliated with leading hotel brands, including **Marriott International**, **Hilton Worldwide**, and **InterContinental Hotel Group**. Its branded hotels are located across 11 states and are in close proximity to significant demand generators, such as airports, universities, and sporting venues, and it will close on two additional hotels by the end of the month, which will bring its total branded hotel count to 37 across 12 states.

AHIP pays a monthly distribution US\$0.054 per unit, representing US\$0.648 per unit on an annualized basis, giving its stock a very high yield of about 7.5% at today's levels.

Confirming the safety of a REIT's yield is quite easy; all you have to do is make sure that its adjusted funds from operations (AFFO) meet or exceed its distributions in a given period. In the first half of 2016, AHIP's AFFO totaled US\$15.44 million, and its distributions totaled just US\$11.4 million, resulting in a sound 73.9% payout ratio.

AHIP is also a very reliable income provider. It has maintained its current annual distribution rate since its IPO in February 2013 with only a minor adjustment coming in April of this year when it converted to U.S. dollar-denominated distributions.

I think AHIP's very strong AFFO growth, including its 61.9% year-over-year increase to US\$24.35 million in fiscal 2015 and its 50% year-over-year increase to US\$15.44 million in the first half of 2016, and its growing property portfolio, including its addition of 10 net new properties since June 30, 2015 (which doesn't include the two Embassy Suites it is about to close on), will allow it to continue to maintain its current annual distribution rate for the foreseeable future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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