Yield Investors: 2 Monthly Income Stocks Paying More Than 5%

Description

The search for quality yield is an ongoing process for many Canadian investors.

Let's take a look at **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Altagas Ltd.** (TSX:ALA) to see why they might be attractive picks right now.

RioCan

RioCan operates shopping malls. That doesn't sound very exciting, especially if you believe the pundits who suggest internet shopping is a threat to that line of business.

However, when you dig down a bit into this name, you see that demand is robust for the company's retail space, and some new growth plans make the stock an interesting play.

RioCan owns about 300 retail sites located across Canada. the exit of Target Canada last year initially hit the stock, but RioCan has found new tenants to fill the space and is actually getting more money from the new contracts than it was from Target.

The company used to have properties in the United States as well, but it recently sold the 49 malls, generating net proceeds of $1.2 billion in the process.

RioCan is using the funds to lower debt and invest in new opportunities. One project includes the potential construction of 10,000 residential units at its top urban locations. The plan is still in its early stages, but investors could see a nice boost to cash flow in the coming years if the concept takes off.

RioCan's leverage is at its lowest level in the history of the company, and the 12-month payout ratio is falling. As such, the distribution should be safe.

Investors currently get 11.75 cents per unit each month. That's good for a yield of 5.1%.

Altagas

Altagas owns natural gas distribution and electricity generation assets in Canada and the United States.

The company has been in the headlines for its decision to scrap plans for a liquefied natural gas (LNG) project on the coast of British Columbia, but investors should focus more on the strength of the existing assets and management's ability to find quality tuck-in acquisitions.

Last year, Altagas purchased three gas-fired generation plants in California. The facilities added $95 million in incremental contracted EBITDA and raised cash flow by 5%.

Management just raised the monthly dividend to $0.175 per share on the back of stronger funds from operations. The current payout provides a yield of 6.3%.

Roughly half of the company's revenue is generated south of the border, so Altagas is a good way for investors to get access to the United States through a Canadian stock.

Is one a better bet?

Both companies are attractive income picks with sustainable distributions.

Altagas provides the higher yield and probably offers better upside potential over the medium term, so I would go with the utility company as the first pick.

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1. Dividend Stocks
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1. TSX:ALA (AltaGas Ltd.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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