



3 Growth Stocks Yielding 5% or More for Income-Hungry Investors

Description

Long-term investing in quality dividend stocks has proven time and again that it is one of the best ways to investment success and wealth creation. Not only does it allow investors to take advantage of the power of compounding when reinvesting the dividends, but it allows them to build an ever-growing tax-effective income stream. The key to success is maximizing the yield that can be generated while selecting stocks which have long histories of paying sustainable growing dividends.

Let's take a closer look at three stocks with sustainable yields of 5% or greater that have strong growth potential.

Now what?

The first pick is energy utility **Altagas Ltd.** ([TSX:ALA](#)), which is one of North America's largest diversified energy infrastructure companies. It has a portfolio of assets spanning regulated gas distribution, renewable energy generation, natural gas gathering, storage, and pipelines.

The majority of its cash flows are contractually locked in. When coupled with Altagas's wide economic moat and the unchanging demand for electricity, this essentially assures its earnings.

The strength of Altagas's business is reflected in its solid second-quarter 2016 results; it reported record EBITDA of \$153 million, a massive 43% increase year over year. Along with the certainty of its cash flows, this allowed Altagas to hike its dividend by 6% to give it a monster yield of over 6%.

Next is **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)), which owns and operates a global, diversified portfolio of renewable energy assets focused on hydro-electricity. These assets have 10,700 megawatts of installed capacity and are located in western Europe, North America, and Latin America.

Not only does Brookfield Renewable have the same defensive characteristics of a traditional electric utility, but the secular trend to renewable energy will act as a powerful tailwind for growth.

You see, a number of governments have implemented aggressive clean energy targets, creating

considerable opportunities for renewable energy companies and significantly boosting investments in renewables. This can only continue for the foreseeable future because the Paris Agreement comes into force on November 4, 2016.

The agreement aims to keep the global temperature increase at less than two degrees Celsius by reducing the consumption of fossil fuels and promoting cleaner renewable sources of energy.

Importantly, because the majority of Brookfield Renewable's cash flow comes from contracted sources with an average contract life of 16 years, its earnings are highly predictable. This means it can continue to fund its strategy of growth through accretive acquisitions, which saw it acquire over 3,000 megawatts of installed capacity in Colombia and the U.S. during the first half of 2016.

All of these characteristics contribute to ensuring the sustainability of its distributions and the very attractive 6% yield.

Finally, there is **Plaza Retail REIT** ([TSX:PLZ.UN](#)), one of Canada's largest owners and operators of retail real estate. It has hiked its distributions for the last 13 years straight, giving it a very attractive yield of just over 5%, which is sustainable with a payout ratio of 83%.

Plaza's business is focused on eastern Canada with the majority of its properties located in Quebec, Ontario, New Brunswick, and Nova Scotia. This has shielded it from the impact of oil's prolonged slump, which has caused Alberta to enter its longest economic downturn since the 1980s.

Only last month, Plaza Retail announced that it was investing \$21 million across 14 projects in Atlantic Canada, Quebec, and Ontario. On completion, these projects will boost cash flow and support further dividend hikes.

So what?

All three stocks offer investors the opportunity to obtain a steadily growing income stream with juicy yields in excess of 5%. More importantly, by virtue of their wide economic moats, contractually secured cash flows, and solid growth potential, these yields are sustainable.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:PLZ.UN (Plaza Retail REIT)

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