



## 2 Excellent Income Stocks Yielding 6-9%

### Description

If you're interested in adding a monthly dividend stock to your portfolio or are looking to build a portfolio full of them, then you've come to the right place. I've scoured the market and selected two stocks with high and safe yields over 6%, so let's take a quick look at each to determine if you should buy one or both of them today.

#### Altagas Ltd.

**Altagas Ltd.** ([TSX:ALA](#)) is an energy infrastructure company focused on constructing, owning, and operating low-risk, long-life assets in North America. Its portfolio consists of a mix of natural gas, power, and utilities assets, including natural gas gathering and processing plants, natural gas pipelines, wind, hydro, biomass, and natural gas-fired power-generation facilities, and five regulated gas-distribution franchises.

Altagas currently pays a monthly dividend of \$0.175 per share, representing \$2.10 per share on an annualized basis, and this gives its stock a lavish 6.5% yield today.

It's highly important to check the safety of a stock's dividend before investing, and you can do this by checking Altagas's cash flow. In its nine-month period ended on September 30, its normalized funds from operations (NFFO) totaled \$383 million (\$2.48 per share), and its dividend payments totaled just \$233 million (\$1.505 per share), resulting in a healthy 60.8% payout ratio.

Not only does Altagas offer a high and safe income stream, but it also offers dividend growth. Following the payment of its December dividend, it will have officially raised its annual dividend payment for six consecutive years, and its 6.1% hike in July, which was effective for its August payment, has it positioned for 2017 to mark the seventh consecutive year with an increase.

I think the growth potential of Altagas's dividend is very strong going forward as well. I think its strong NFFO growth, including its 7.8% year-over-year increase to \$2.48 per share in the first nine months of 2016, and its expansion plans that will fuel future growth, including its roughly \$3 billion worth of projects that will be commissioned through 2020, will allow its streak of annual dividend increases to continue through 2025 at least.

### **SIR Royalty Income Fund**

**SIR Royalty Income Fund** ([TSX:SRV.UN](#)), or "The Fund" for short, owns the trademarks related to the SIR Corp. concept restaurant brands, including Jack Astor's Bar & Grill, Alice Fazooli's, Scaddabush Italian Kitchen & Bar, Canyon Creek Chop House, and Reds Wine Tavern, and it licenses these trademarks to SIR Corp. in exchange for a royalty of 6% of sales at the restaurants in its royalty pool. As of September 30, there are 57 restaurants in its royalty pool.

The Fund pays a monthly distribution of \$0.095 per unit, representing \$1.14 per unit on an annualized basis, giving its stock a succulent 8.2% yield today.

As mentioned before, it's very important to confirm the safety of a stock's dividend, and this is very easy to do with The Fund, because it provides a cash flow metric called "distributable cash" in its earnings reports. In its nine-month period ended on September 30, its distributable cash totaled \$6.7 million (\$0.87 per unit), and its cash distributions totaled \$6.59 million (\$0.855 per unit), resulting in a sound 98.3% payout ratio, which is very close to its target payout of 100%.

In addition to having a high and safe yield, The Fund has a reputation for being a very reliable income provider. It has paid distributions since its inception in 2004 and maintained its currently monthly rate since June 2013.

I think The Fund's consistently strong generation of distributable cash, including \$1.13 per unit in fiscal 2015 and \$0.87 per unit in the first nine months of 2016, and its growing royalty pool, including its addition of two new restaurants so far in 2016, could allow it to continue to maintain its current monthly rate for the foreseeable future.

### **Should you prefer one to the other?**

I think both Altagas and The Fund represent fantastic opportunities for income investors, but if I had to choose just one to invest in today, I'd go with Altagas because of its track record of dividend growth and its high growth potential going forward.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:ALA (AltaGas Ltd.)
2. TSX:SRV.UN (SIR Royalty Income Fund)

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