

## 2 Excellent Income Stocks for 2017 and Beyond

### Description

As an income investor, I'm always on the lookout for high-quality stocks with high and reliable distributions and, after a thorough search of the market, I came across two great options. Let's take a closer look at each, so you can determine which would be the best fit for your portfolio.

#### **A and W Revenue Royalties Income Fund**

**A and W Revenue Royalties Income Fund** ([TSX:AW.UN](#)), or "The Fund" for short, indirectly owns the trademarks used in the A&W quick-service restaurant business in Canada. It licenses these trademarks to A&W Food Services of Canada Inc. for use in operating and franchising restaurants in exchange for a royalty of 3% of sales at the restaurants in its royalty pool. As of today, there are 861 restaurants in the royalty pool.

The Fund currently pays a monthly distribution of \$0.133 per unit, representing \$1.596 per unit on an annualized basis, which gives its stock a succulent 4.1% yield today.

It's very important to always confirm the safety of a stock's distribution, especially if you will be relying on it to supplement your income, 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 11, 2016, its distributable cash generated per equivalent unit totaled \$1.092, and its distributions declared and accrued per unit totaled \$1.085, resulting in a sound 99.4% payout ratio, which is in line with its target payout of at or below 100%.

In addition to having a high and safe 4.1% yield, The Fund has shown a strong dedication to growing its distribution. Fiscal 2016 officially marks the second consecutive year in which it has raised its annual distribution, and its recent hikes, including its 2.3% hike in July, have it positioned for fiscal 2017 to mark the third consecutive year with an increase.

I think The Fund's continued growth of distributable cash, including its 5.3% year-over-year increase to \$1.092 per unit in the first nine months of 2016, and its growing royalty pool that will help fuel future growth, including its addition of 23 net new restaurants on January 5, will allow its streak of annual distribution increases to continue through 2020 at the very least.

#### **Morguard Real Estate Investment Trust**

**Morguard Real Estate Inv.** ([TSX:MRT.UN](#)) is one of Canada's largest diversified real estate investment trusts. Its portfolio consists of 49 office, retail, and industrial properties totaling approximately 8.72 million square feet of gross leasable area located across Ontario, Alberta, British Columbia, Manitoba, Quebec, and Saskatchewan.

Morguard pays a monthly distribution of \$0.08 per unit, representing \$0.96 per unit on an annualized basis, giving its stock a very large 6.4% yield at today's levels.

Confirming the safety of this 6.4% yield is very easy; all you have to do is check Morguard's cash flow. In its nine-month period ended on September 30, 2016, its adjusted funds from operations (AFFO) totaled \$0.91 per unit, and its cash distributions totaled just \$0.72 per unit, resulting in a conservative 79.1% payout ratio.

On top of having a very high and very safe yield, Morguard has a reputation for being a very reliable income provider, because it has maintained its current monthly distribution rate since March 2012 and paid out a monthly distribution of at least \$0.075 per unit since January 2005. I think its strong AFFO generation, including \$1.28 per unit in fiscal 2015 and \$0.91 per unit in the first nine months of 2016, could allow it to continue to maintain its currently monthly rate for decades.

### Is one a better buy now?

I think A and W Revenue Royalties Income Fund and Morguard REIT are perfect investment options for income seekers, but if I had to choose just one to invest in today, I'd go with A and W, because it has much higher distribution-growth potential going forward.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:MRT.UN (Morguard Real Estate Investment Trust)

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