

2 Small Caps With 6.6% Yields to Buy for Income

Description

As income investors, we want to own stocks with high and reliable distributions and, after a thorough search of the market, two small caps caught my eye. Let's take a closer look at each, so you can determine which would fit best in your portfolio.

Crombie Real Estate Investment Trust

Crombie Real Estate Investment Trust ([TSX:CRR.UN](#)) is one of Canada's largest commercial REITs with a portfolio of 280 properties across all 10 provinces that total approximately 19.1 million square feet of gross leasable area.

Crombie pays a monthly distribution of \$0.07417 per unit, representing \$0.89 per unit on an annualized basis, and this gives its stock a 6.6% yield today.

It's very important to confirm the safety of a stock's distribution before making an investment, especially if you'll be relying on it for monthly income, and you can do this with Crombie by checking its cash flow. In its nine-month period ended on September 30, 2016, its adjusted funds from operations (AFFO) totaled \$102.29 million (\$0.75 per unit), and its distributions totaled just \$92.75 million (\$0.67 per unit), resulting in a solid 90.7% payout ratio.

In addition to having a high and safe yield, Crombie is known as being one of the industry's most reliable income providers; this is because it has maintained its current monthly distribution rate since May 2008 and paid distributions every month since April 2006, the month following its initial public offering.

I think investors can count on Crombie for a steady income stream going forward as well. I think its strong AFFO growth, including its 5.6% year-over-year increase to \$0.75 per unit in the first nine months of 2016, and its improved payout ratio, including an adjusted 90.7% in the first nine months of 2016 compared with 93.6% in the same period in 2015, will allow it to continue to maintain its current monthly distribution rate for the foreseeable future.

Chemtrade Logistics Income Fund

Chemtrade Logistics Income Fund ([TSX:CHE.UN](#)), or "The Fund" for short, is one of the leading providers of industrial chemicals and related services to customers in North America and around the world.

The Fund pays a monthly distribution of \$0.10 per unit, representing \$1.20 per unit on an annualized basis, which gives its stock a 6.6% yield today.

As mentioned previously, it's very important to confirm the safety of a stock's dividend before investing, 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, 2016, its distributable

cash after maintenance capital expenditures totaled \$93.09 million (\$1.35 per unit), and its distributions totaled just \$62.17 million (\$0.90 per unit), resulting in a sound 66.8% payout ratio.

Like Crombie, The Fund is one of the most reliable income providers in its industry. It has maintained its current monthly distribution rate since January 2007, and I think its ample generation of distributable cash after maintenance capital expenditures, including \$1.97 per unit in fiscal 2015 and \$1.12 per unit in the first nine months of 2016, will allow it to continue to do so for decades.

Is one a better buy right now?

Both Crombie REIT and Chemtrade Logistics Income Fund can provide you with high and reliable streams of monthly income, making them buys in my book. With this being said, I do not prefer one to the other, so I would either buy both or flip a coin to decide between them.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:CRR.UN (Crombie Real Estate Investment Trust)

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Author

jsolitro

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