

2 High-Yield Monthly Dividend Stocks With Upside Potential

Description

Designing a portfolio that generates stable monthly income in your retirement investment portfolio is indeed one of the most critical issues you should worry about when selecting assets. However, growing the portfolio through capital gains is also a wise decision that will protect the portfolio against inflation.

Here are two stocks investors could pick to achieve those two objectives: **Exchange Income Corporation** ([TSX:EIF](#)) and **Student Transportation Inc.** (TSX:STB)(NASDAQ:STB).

Exchange Income Corporation

Exchange Income Corporation (EIC) is a diversified conglomerate whose multiple cash flow streams have allowed it to pay a growing monthly dividend to investors. Its current monthly dividend is \$0.175 per share for January, payable February 15, 2017. This translates to a stable 5% annualised dividend yield at the current stock price.

Most noteworthy, EIC has been increasing the declared dividend for 11 of the 12 years since 2004. It has already increased its monthly dividend by 9.4% in 2016. Management touts that the strength of the company's business model — which is diversified, disciplined, and dependable — was reflected by EIC's ability to grow its dividend. Investors could bank on EIC for stable monthly payouts in the future.

What's most interesting about EIC is that it has grown through highly disciplined acquisitions and is serving targeted, proven, profitable niche markets in scheduled passenger-flight services, cargo handling, medical evacuation, manufacturing, after-market aircraft engines, and leases of regional jets. This has allowed it to generate stable cash flows and grow in profitability, even during economic downturns.

The potential for continued future growth in the stock price is still strong. It has already doubled in 2016. The company's balance sheet looks strong, enabling it to continue taking advantage of future growth opportunities, whether it's organic or through acquisitions.

Student Transportation Inc.

Student Transportation is a stable company that has been rewarding its investors with a monthly dividend for over 140 straight months. Student Transportation management has a nice habit of declaring its monthly dividends for the next quarter three months in advance.

This is a cash flow-generating machine that pays a whopping 7.8% annual dividend yield at the current stock price of \$7.27 if we convert the US\$0.03667 monthly dividend at current exchange rates. Student Transportation is the largest independent provider of vital student transportation services in North America.

The company has been growing its revenue base for the past four quarters, even considering the

seasonality in its business, in which quarterly profitability dipped in the last report due to the school holidays season. Most of the profits come in second to fourth quarters. It has a 95% contract renewal rate for over 19 years, and the contract durations average five years with most of the business being generated in the United States.

While we may not expect a dividend increase anytime soon from the company, potential capital gains could accrue in the coming months. In 2016, the company had good growth in revenue, operating income, EBITDA, dividends, and the stock. New contracts have been won for this year too. The company has recently been rated a "Buy" by several respected analysts going into 2017.

CATEGORY

1. Investing

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1. TSX:EIF (Exchange Income Corporation)

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