



2 Quality 5% Yielders to Buy and Hold

Description

Dividend stocks are the foundation of great portfolios, because, as history has shown, they far outperform non-dividend-paying stocks over the long term. With this in mind, let's take a closer look at two high-quality dividend stocks with yields of 5% or more that you could buy right now.

Choice Properties REIT

Choice Properties Real Est Invstmnt Trst ([TSX:CHP.UN](#)) is one of Canada's largest owners and managers of commercial real estate. Its portfolio consists of 517 retail properties, 14 industrial properties, one office property, and three pieces of land held for development. These properties are located across the country and total approximately 43.6 million square feet of gross leasable area.

Choice currently pays a monthly distribution of \$0.059167 per unit, representing \$0.71 per unit on an annualized basis, which gives its stock a yield of about 5% today.

As savvy investors, we know we must always confirm the safety of a stock's distribution before making an investment, and you can do this with Choice by checking its cash flow. In its fiscal year ended on December 31, 2016, its adjusted funds from operations (AFFO) totaled \$0.805 per unit, and its distributions totaled just \$0.69 per unit, resulting in a rock-solid 85.7% payout ratio.

On top of having a high and safe yield, Choice has been showing a dedication to growing its distribution. It raised its monthly rate twice in 2016, and its 6% hike that was effective for its July payment has positioned it for 2017 to mark the second consecutive year in which it has raised its annual distribution.

I think Choice's distribution growth will continue going forward as well. I think its consistent AFFO growth, including its 4.3% year-over-year increase to \$0.777 per unit in 2015 and its 3.6% year-over-year increase to \$0.805 per unit in 2016, and its growing property portfolio which will help fuel future AFFO growth, including its addition of 16 net new properties and approximately two million square feet of gross leasable area in 2016, will allow its streak of annual distribution increases to continue in 2018 and beyond.

IGM Financial Inc.

IGM Financial Inc. ([TSX:IGM](#)) is one of Canada's largest personal financial services companies and one of its largest managers and distributors of mutual funds and other managed asset products with approximately \$141.83 billion in assets under management as of December 31, 2016. Its subsidiaries include Investors Group Inc., Mackenzie Financial Corporation, and Investment Planning Council Inc.

IGM pays a quarterly dividend \$0.5625 per share, representing \$2.25 per share on an annualized basis, and this gives its stock a 5.35% yield today.

Confirming the safety of this +5% yield is very easy; all you have to do is check IGM's cash flow. In its fiscal year ended on December 31, 2016, its operating cash flow net of commissions paid totaled \$736.6 million, and its dividend payments totaled just \$542 million, resulting in a sound 73.6% payout ratio.

Investors should also note that IGM has raised its annual dividend payment two times in the last three years, and I think its strong financial performance, including its 3.7% year-over-year increase in operating cash flow net of commissions paid to \$736.6 million in 2016, and its improved payout ratio, including 73.6% in 2016 compared with 78.3% in 2015, could allow it to announce another hike at some point in 2017.

Which should you prefer today?

I think Choice Properties REIT and IGM Financial would both make great additions to your dividend portfolio, but if I had to choose just one to invest in today, I'd go with Choice, because I think its distribution-growth potential is more promising over the long term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:IGM (IGM Financial Inc.)

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