



4 Financial Stocks With +6% Dividend Yields

Description

Among the various compelling income investments options that one can find in Canada today, there are some financial counters that are paying hefty monthly dividends yielding north of 6% right now with prospects for capital gains too. Investors could see some double-digit total returns on some of these stocks in 2017.

Here are four of the best dividend-payout machines in the Canadian financial sector, ranked in ascending order.

First National Financial Corp.

First National Financial Corp. ([TSX:FN](#)) is first on my list with a 6.05% annual dividend yield at the current price of \$28.08. The stock pays a monthly dividend of \$0.142 religiously.

The company has been increasing dividend payouts since 2014 and is likely to continue doing so should the mortgage business continue bringing in the profits and cash flows as anticipated.

First National's business is one of Canada's largest alternative mortgages provider. During the last reported quarter ended September 30, 2016, mortgages under administration grew 6% year over year to a record \$98.6 billion from \$92.6 billion at September 30, 2015.

Revenue grew 11% to \$273.8 million from \$246.6 million for Q3 2015. Net income grew 75% to \$51.4 million (\$0.84 per common share) from \$29.3 million (\$0.46 per common share) for Q3 2015.

The current dividend, if held flat over three months, represents just 50% of the Q3 2016 earnings per share. The payout seems relatively safe.

Callidus Capital Corp.

The second company in this ranking is **Callidus Capital Corp.** (TSX:CBL) at a 6.47% current annual dividend yield. The stock currently trades at \$18.55 and pays a monthly dividend of \$0.10.

The company commenced paying dividends in 2015 and changed the payment frequency from quarterly to monthly in April 2016. Dividends were increased twice in 2016 from \$0.0583 in May 2016 to \$0.0833 for June then again in October to the current \$0.10 a month. This represents a whopping 71.5% increase in dividend over the past nine months.

Callidus Capital operates a specialty finance business that provides senior secured asset-based loans and lending services to mid-market companies operating in Canada and the United States

Alaris Royalty Corp.

Third on this ascending list is **Alaris Royalty Corp.** (TSX:AD), a provider of finances to private operating entities.

At the current stock price of \$23.36, Alaris's \$0.135 monthly dividend yield is a great 6.93% annually. The company has paid a flat \$0.135 monthly dividend since July 2015.

Alaris has been growing in revenues and profitability year over year since 2012. Basic earnings per share have grown from \$0.86 in 2012 to \$1.70 for 2015. Growth opportunities are still present, but the sustainability of the high-yield payout is becoming questionable.

Timbercreek Financial Corp.

The highest dividend yield on a financial counter in Canada with more than \$500 million market capitalization currently comes from **Timbercreek Financial Corp.** ([TSX:TF](#)), a mortgage investment company.

At the current stock price of \$9.39, the \$0.057 monthly dividend is providing a 7.3% annual yield! The firm has a 95% target payout ratio and seems well able to sustain the payout into the next year or two.

Investor takeaway

The stocks of mortgage underwriters were severely shaken in 2016 when new mortgage insurance rules imposed by the Federal Government caused a market overreaction. While it's true the rules will eat into the players' margins, housing demand is still high and growth potential still present.

Potentially rising interest rates could improve margins for lenders in the coming years. Capital gains are likely to be realized on these stocks too, and the total annual returns could be in the double digits for 2017 and 2018.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:FN (First National Financial Corporation)

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