2 Great Dividend Stocks Yielding Over 4%

Description

If your portfolio lacks yield and you're ready to do something about it, then you've come to the right place. Let's take a closer look at two stocks with high and safe yields of 4% or more that you could buy today.

Valener Inc.

Valener Inc. (TSX:VNR) is a public company that serves as an investment vehicle in Gas Métro and Seigneurie de Beaupré Wind Farms. It holds a 29% ownership stake in Gaz Métro, which is the largest natural gas distributor in Québec and the sole natural gas distributor and largest electricity distributor in Vermont, and it holds a 24.5% ownership stake in Seigneurie de Beaupré Wind Farms, which is one of Canada's largest producers of wind power.

Valener currently pays a quarterly dividend of $0.28 per share, representing $1.12 per share on an annualized basis, giving its stock a juicy 5.3% yield at today's levels.

Checking the safety of this +5% yield is as easy as checking Valener's cash flow. In its three-month period ended on December 31, 2016, its normalized operating cash flow totaled $0.32 per share, and its dividend payments to common shareholders totaled just $0.28 per share, resulting in a solid 87.5% payout ratio.

On top of offering a high and safe yield, Valener offers dividend growth. It has raised its annual dividend payment in each of its last two fiscal years, and its 3.7% hike in November has it positioned for fiscal 2017 to mark the third consecutive year with an increase.

Its dividend growth will continue in 2018, because it has a program in place to do so. Its program calls for annual dividend growth of approximately 4% through fiscal 2018, and I think its very strong growth of normalized operating cash flow, including its 18.5% year-over-year increase to $0.32 per share in the first quarter of fiscal 2017, will allow it to complete this program and announce a new one that will extend into the 2020s.

Morguard North American Residential REIT

Morguard North American Residential REIT (TSX:MRG.UN) is one of the largest owners and operators of apartment communities in North America. Its portfolio consists of 46 apartment communities, including 31 in the United States and 15 in Canada, which have a total of 13,472 suites.

Morguard currently pays a monthly distribution of $0.05333 per unit, representing $0.64 per unit on an annualized basis, and this gives its stock a bountiful 4.3% yield today.

You can easily confirm the safety of this 4.3% yield by checking Morguard's cash flow. In its fiscal year ended on December 31, 2016, its adjusted funds from operations (AFFO) totaled $46.06 million ($0.99 per unit), and its distributions totaled just $28.22 million ($0.61 per unit), resulting in an ultra-conservative 61.3% payout ratio.

Morguard also recently raised its distribution for the first time. It announced a 6.7% hike in November, which led to 2016 marking the first year in which it had raised its annual distribution since its IPO in April 2012 and put it on pace for 2017 to mark the second consecutive year with an increase.

I think Morguard can continue to grow its distribution in the years ahead as well. I think its very strong AFFO growth, including its 16.5% year-over-year increase to $0.99 per unit in 2016, and its growing portfolio that will help fuel future AFFO growth, including its addition of one new property and 370 residential suites in 2016, will allow it to announce annual distribution increases for many years to come.

Is one a better bet today?

I think Valener and Morguard each represent very attractive long-term investment opportunities, but if I had to choose just one to invest in today, I'd go with Valener, because it has a higher yield and a defined dividend-growth target.

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1. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)

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