Dividend Investors: Get Great Yields From These Surprising Sources

Description

If you're an income investor, chances are your portfolio is stuffed with companies in sectors such as telecoms, utilities, banks, pipelines, and real estate. Not only has the average stock in these industries performed exceptionally well, but these sectors have delivered that outperformance with less volatility than the market as a whole. That's outperformance without excess risk, in other words. What's not to like?

But perhaps income investors should look a little deeper. There's no guarantee this excess performance will continue. These sectors are also heavily dependent on interest rates going forward. If rates march higher, the impact on many dividend stocks will not be pretty.

Then there's diversification to think about. Is a portfolio really diverse if it sticks to just a few sectors? I don't think so.

Dividend investors don't have to sacrifice income when they're looking to diversify into other sectors. Here are three great income streams from unlikely sources.

Airlines

It seems like most airline stocks have never even heard of the word dividend. They'd much rather amass cash on their balance sheets for the inevitable downturn.

But there are a few select airline stocks in North America that pay attractive dividends. **Chorus Aviation Inc.** (TSX:CHR) is one. It currently pays investors a four-cent-per-month dividend, which is good enough for a yield of 6.4%.

The company has three main divisions. The biggest part is contracted out by **Air Canada** to run its Express and Jazz regional operations. Chorus also provides maintenance and repair services as well as regional aircraft leasing. Approximately 95% of revenue comes from Air Canada, but that's changing. Chorus has big plans for its regional aircraft leasing division.

Chorus has been consistently profitable with annual profits averaging 57 cents per share between

2011 and 2016. Last year was particularly encouraging with the bottom line rising to 89 cents per share. Analysts predict 2017's results will continue to be strong with a profit estimate of 79 cents per share.

That's easily enough for the company to afford its dividend. In addition, it puts Chorus shares at less than 10 times forward earnings — a tremendous valuation.

Energy

For the decade ending in 2014, energy companies were some of Canada's best dividend payers. Then the price of crude collapsed, and producers cut their dividends faster than I plough through a bag of chips.

Many investors responded by stampeding out of oil producers into pipeline companies. But there have been a few select oil producers that have actually maintained their yields.

Vermilion Energy Inc. (TSX:VET)(NYSE:VET) has focused on finding the lowest-cost energy possible. The search has led management around the world. These days, the company has production from Canada, the United States, several European countries, and Australia.

The firm has managed to grow production significantly over the last few years — a fantastic achievement in this environment. In 2014, Vermilion produced nearly 50,000 barrels of oil equivalent per day. In 2017, that number is projected to hit 70,000.

Free cash flow this year is projected to be above $300 million, while cash dividends will be approximately $105 million. That's a terrific payout ratio. In fact, it's lower than most of Canada's pipeline companies.

Shares currently yield 5.1%.

Retail

Retail is dying, or so goes the common refrain.

I'm the first to admit the internet has changed the sector forever. But that doesn't mean investors should write it off completely.

Take **North West Company Inc.** (TSX:NWC) as an example. The company provides staples in remote locations in Canada's arctic as well as in the Caribbean. The store is often the only one in town. Online shopping simply isn't an option to these out of the way places.

North West shares pay a quarterly dividend of 31 cents each — good enough for a yield of 4%. The company has hiked the dividend each year since 2011.

The bottom line

It's very possible for investors to get dividends from sectors they might not normally associate with income. In fact, it might even be preferable. A dividend portfolio filled with contrarian names could easily accomplish above-average income with market-beating returns.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:CHR (Chorus Aviation Inc.)
3. TSX:NWC (The North West Company Inc.)
4. TSX:VET (Vermilion Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/19
Date Created
2017/04/14
Author
nelsonpsmith