4 Institutional Favourites for Your Dividend Portfolio

Description

It's long been said that if you want to profit in the stock market, you've got to follow the "smart money." One way to do this would be to consider investing in stocks that are favoured by large institutional investors.

Institutional investors include the likes of hedge funds, pension plans, endowments, mutual funds, and life insurance companies.

The logic behind this strategy is that these institutional investors have access to the best resources available when making an investment decision and, as a result, are less likely to make any catastrophic errors when investing in publicly traded companies.

By following the lead of the institutions, investors are more likely to avoid making costly errors in their personal portfolios.

These four stocks boast institutional ownership of at least 75% of the total common stock outstanding and, in addition, offer dividend yields above 4%.

Domtar Corp. (TSX:UFS)(NYSE:UFS)

Institutional investors own 94% of Domtar's common stock, while the shares pay a tidy dividend yield of 4.45%.

The company operates in the paper and paper products industry, which is characterized by intense competition. This means investors can expect a heightened level of volatility in terms of both the share price and company earnings.

This is evident in the fact that shares have tended to trade in price swings of close to 50% per year and the fact that EPS has regularly swung back and forth by more than 40% on average year in, year out over the past five years.

TransAlta Renewables Inc. (TSX:RNW)

Institutions account for just shy of 77% of TransAlta Renewables shareholders. With a dividend yield of 5.63% and a favourable outlook for renewable energy long term, one can understand why institutional investors would be so high on this company.

The company earned adjusted funds from operations of $0.37 per share in Q1 and declared a common dividend of $0.22 per share. With a payout ratio of 59%, the prospects for long-term sustainable dividend increases for this company are bright.

Brookfield Property Partners LP (TSX:BPY.UN)(NYSE:BPY)

Brookfield Property Partners IPO'd in April 2013 at $17.67 per share and has gained an average of 5.88% in the four years since. Add to this the company's current dividend yield of 5.12% and you can see why institutional investors like this stock for its steady performance.

Institutions make up 78% of shareholders in this Brookfield entity, which is focused on continuing to build one of the largest and most diversified portfolios of office, retail, multifamily, industrial, and hospitality properties.

Bonterra Energy Corp. (TSX:BNE)

Bonterra pays the highest yield of the bunch at 7.58% and has maintained a monthly distribution since the company's inception. This, no doubt, is of much appeal to institutional investors who make up 76% of the company's float.

Since the oil market's collapse in 2014, the company has struggled to stay out of the red; however, there are signs that things may be turning the corner now with the company posting a profit in Q1 for the first time in over 10 quarters.

Perhaps owing to that momentum swing, the stock is a favourite among analysts with a consensus buy rating and average price target of $30.16, or an incredible 90% above today's closing price.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BNE (Bonterra Energy Corp)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:RNW (TransAlta Renewables)
4. TSX:UFS (Domtar Corporation)

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