Income Investors: 4 Low-Volatility Stocks Yielding Over 4%

Description

One of the challenges of income investing is balancing the need for current yield without putting your capital at risk.

These four stocks offer current yields of over 4% and are included in the S&P/TSX Composite Low Volatility Index, meaning the risk of losing capital, even in the short term, is lower than that of the overall market.

CI Financial Corp. (TSX:CIX)

CI is one of Canada's largest wealth management firms, offering mutual funds, ETFs, segregated funds, and individual investment advice.

CI's business is healthy today with assets under management up 11.5% year over year for the most recent period, and sales expected to climb about 5% annually for the next two years.

CI shares pay an attractive yield of 5.1% with the company increasing its payout by 2.2% this year. The company has a beta of 0.67, implying a low cost of capital of just 7.5%.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE provides fixed-line, wireless, and media solutions to residential, business, and wholesale customers across Canada.

BCE has an exemplary track record of operating performance, having posted a net profit in each of the past 10 years.

Shares pay a dividend of 4.8% today, and with sales forecast to grow by 4.7% and 2% over the next two years, respectively, there's a good chance the company will be able to increase its payout going forward.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN)

Algonquin is a renewable energy and utility company with interests in hydroelectric, wind, thermal, and solar power facilities in addition to 32 utility distribution operations.

Algonquin shares are up more than 12% compounded annually over the past 10 years, offering investors a steady capital return in addition to the company's current dividend yield of 4.1%.

Trading at a price-to-book ratio of 1.9 times, Algonquin may appeal to value investors; however, the company's payout ratio, sitting at over 150% and persistent free cash flow deficits are reason for caution.

Enbridge Income Fund Holdings Inc. (TSX:ENF)

Enbridge is designed to appeal to investors seeking reliable and predictable cash returns from low-risk energy infrastructure assets, including green power-generation facilities, liquids transportation, and storage facilities.

Enbridge shares have given back some of their gains this year with shares down 6.5% year to date, despite being up 42% over the past 18 months, offering an attractive entry point.

The company pays a dividend yield of 6.1%, the highest of the four stocks on this list. Meanwhile, shares trade at just 1.2 times book value and a forward P/E of 13.5 times, both well below the company's historical averages.

Which should you buy?

Each of the four stocks come from different sectors of the market, meaning that all four could be included in the same portfolio without risk of over-concentration.

CI Financial and BCE would be more favoured for their current yields, while investors may not expect any significant increases to the payout in the near future, meaning they are more yield plays than dividend growers.

Algonquin and Enbridge, meanwhile, have been more aggressive in increasing their dividends in recent years; however, both have payout ratios which are near or above 100%, meaning investors will need to carefully evaluate the sustainability of their dividends before making a purchase.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)

3. TSX:AQN (Algonquin Power & Utilities Corp.)
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