Income Investors: These 3 Income Trusts Will Help Complete Your Portfolio

Description

Income trusts have become very popular in today's low interest rate environment.

Canadian income trusts, sometimes called "CanRoy Investments," are *usually* high-yielding equities that distribute cash flows from an underlying business on a quarterly or monthly basis to their investors.

Because income trusts typically yield higher distributions, they have characteristics that, in some ways, make them act like bonds, yet in other ways they act in line with other equities.

Their high-yield nature is what makes them sensitive to interest rates, as in the case of bonds. In an environment like today, where yields are near all-time lows, retirees and income investors may favour a higher yield from an income trust as opposed to a Government of Canada bond.

Yet that added income return does not come without risk.

Similar to common equities, investors in income trusts are still exposed to operation risk to a greater degree than with corporate bonds. Management needs to be able to run operations effectively and efficiently to make cash available for those quarterly or monthly payouts.

These three income trusts are among some of the higher-quality names included in the S&P/TSX Income Trust Index.

Boyd Group Income Fund (TSX:BYD.UN)

Boyd is somewhat unique to the income trust category because it is not a "high-yielder" at all; this security only pays a 0.54% dividend yield.

Rather, Boyd is a growth stock.

Management and the board of directors at Boyd over the past few years have been pursuing a rather aggressive acquisition strategy. The company has spent upwards of $250 million over the past three years.

But the strategy has been paying off so far. Sales have almost triples since 2013, while the company has managed to go from the red to the black in terms of bottom-line profits.

Brookfield Renewable Partners LP (TSX:BEP.UN)

Brookfield Renewable Partners is an interesting idea simply owing to the company's large exposure to renewable energy projects.

While there is still much to debate and decide in terms of how governments will allocate capital between fossil fuels and renewables over the next 50 years, it seems like renewable energy is gaining traction.

On top of what are some pretty encouraging growth prospects, the company pays a dividend of 5.45% today, which will serve you well in the meantime.

Dream Office Real Estate Investment Trust (TSX:D.UN)

Dream Office REIT has proven a good investment for those who have held the shares over the past 12 months as the stock has climbed from a low of $14.81 in August of last year to a price of $20.40 today.

That works out to be a 37% annual return — not bad for a “conservative” investment.

On top of that, investors are getting a very tidy 7.47% dividend yield to boot.

Which one is right for you?

All three of these income trusts operate in completely separate segments of the market, so you won’t have to worry about a lack of diversification in your portfolio if you buy all three of them.

Boyd would be the “growthiest” of the three, but it’s reliant to some degree on consumer discretionary spending, which carries with it its own sets of risks and rewards.

Brookfield is likely the best suited for “multi-generational” investing, or the kind of stock you may feel comfortable tucking away for the next 20 years.

Meanwhile, Dream Office may be the best for income investors living off current yields, as it has a very impressive 7.47% yield, and it doesn’t look like that dividend yield is going away anytime soon.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:D.UN (Dream Office Real Estate Investment Trust)

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