2 Unloved Income Stocks for a High-Yield Income Portfolio

Description

Retirees and other income investors are always searching for opportunities to boost the yield they get on their savings.

The recent pullback in REITs and popular dividend stocks is finally giving Canadians a chance to pick up some above-average payouts at attractive prices.

Let's take a look at **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Inter Pipeline Ltd.** (TSX:IPL) to see if one is an attractive pick right now.

RioCan

RioCan operates shopping malls. That might not sound like an appealing place to put your money these days, with all the announcements of department store closings, but the company is actually in pretty good shape.

It's true that some sectors in the retail market are losing the battle with online shopping, but RioCan has a very diversified client base with no single tenant accounting for more than 5% of revenue, and the company continues to see strong demand for its locations, with committed occupancy of 96.6% at the end of 2017. RioCan has already found new tenants to replace 84% of the space vacated by Sears at lease rates that will generate 130% of the revenue the company was receiving from Sears.

On the growth side, RioCan is moving ahead with its plan to build up to 10,000 residential units at is top urban locations over the next decade.

The trust units currently trade for $23.60, down from $26 a year ago. At the current distribution level, the company provides a yield of 6%. RioCan bumped up the payout in January, so management is obviously comfortable with the cash flow outlook.

IPL

IPL owns oil sands pipelines, conventional oil pipelines, natural gas liquids (NGL) extraction assets, and a liquids storage business in Europe.

The company made it through the oil rout in good shape and even took advantage of the downturn to add strategic assets at attractive prices, including the $1.35 billion purchase of two NGL extraction facilities from The Williams Companies. As the market improves, IPL should see strong returns on the investments.

On the development side, IPL recently announced plans to move ahead with its $3.5 billion Heartland Petrochemical Project. The facility should be up and running by the end of 2021 and IPL expects to see long-term annual EBITDA of $450-500 million from the project.

The existing assets are performing well, and IPL raised the payout again last fall. The new project could slow dividend growth over the near term, but the distribution should be safe. IPL reported a 2017 payout ratio of 62%.

The stock is down with the broader energy infrastructure sector and is starting to look oversold. At the current price of $22.25 per share, investors can pick up a 7.5% yield.

The bottom line

Buy-and-hold income investors finally have some attractive options to boost the returns they get on their savings. RioCan and IPL both raised their payouts in the past six months and have development portfolios that should drive revenue and cash flow growth in the coming years. If you have some cash sitting on the sidelines, these two companies deserve to be on your radar.

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