3 High-Yielding Dividend Stocks That Could Outperform the TSX This Year

Description

Given where the markets are today, there are some great bargains to be had for investors that are not afraid to take on a little risk. A dividend-paying stock gives you a bit of a safety net in case returns are not as strong as you would have expected.

A high yield can give you a lot of security in that case, especially if you're investing in a good company that's being weighed down by external market factors. For that reason, I've outlined three high-yielding dividend stocks that are good bets to outperform the TSX that could give you the best of both worlds when it comes to capital appreciation and recurring income.

First National Financial Corp. (TSX:FN) currently pays its shareholders a yield of just under 7%, and last year it also paid out a special dividend. While that might be unlikely to happen again this year, First National still presents a good investment opportunity, as interest rates continue to rise, and as the economy continues to do well. The share price has declined more than 7% since the start of 2018 although returns are flat from a year ago.

The stock trades at a price-to-earnings (P/E) ratio of less than eight and is a good value buy today. First National has a lot of upside and doesn't expose you to a significant amount of risk.

Inter Pipeline Ltd. (TSX:IPL) is a bit of a riskier proposition as the stock is in oil and gas, where the industry is still in recovery mode. Oil prices are up from a year ago, and there are reasons to expect that we could see the commodity continue to rise in value.

However, the bears are out in full force and have kept Inter Pipeline and otherwise good stocks down as pessimism in the market is still rampant, particularly in Canada, where some governments have made it difficult for the industry to grow.

Year to date, the stock is down 12%, and over the past 12 months it has declined just under 20%. The drop in price has pushed Inter Pipeline's dividend up to 7.3% and makes it the highest yield on this list. While investors may assume that a stock in the oil and gas industry with such a big decline in stock price is a big risk, Inter Pipeline isn't.

The company has turned a profit in each of the past five quarters and most recently saw its sales grow by 10% from last year.

RioCan Real Estate Investment Trust (TSX:REI.UN) has declined more than 10% in the past year, as fears in the industry have sent many REITs down, particularly as we see big stores and chains continue to close. However, RioCan is taking an innovative approach to the problem that would combine shopping malls with other spaces and reduce the company's exposure to the retail industry.

The stock pays a dividend of over 6%, and it presents a lot of stability, despite all the drama. In only two of the past five quarters have revenues dipped below $290 million in sales. RioCan is a good long-term buy, and with a P/E ratio of less than 11, you won't have to pay a hefty price for the stock.

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1. Dividend Stocks
2. Investing

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2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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