

3 Small-Cap Stocks Yielding 5% to Buy Now

Description

While good things do come in small packages, investing in small-cap stocks can be a risky proposition. I know firsthand.

In December 2016, I'd [recommended](#) three small-cap stocks to own yielding 5% or more. One of them did well — **Diversified Royalty Corp.** ([TSX:DIV](#)) is up 28% since — but the other two absolutely tanked with little hope of recovery.

As I said, small-cap stocks can be a risky proposition. That said, I think it makes sense to have a portfolio that includes some smaller stocks whose risk/reward profile is a little more aggressive. I'm not talking anything more than 20% of your equity holdings; just a few potential winners to juice your returns slightly.

Here are the three small-cap stocks yielding 5% or more I have in mind.

Timbercreek Financial Corp. ([TSX:TF](#))

Canadian banks are notorious for not taking lending risks with small- and medium-sized businesses. As a result, non-bank lenders have cropped up to meet the needs of those businesses.

Timbercreek Financial was formed in June 2016 through the merger of Timbercreek Mortgage Investment Corporation and Timbercreek Senior Mortgage Investment Corporation. In the two years since its stock has increased by 10% with another 7.5% in annual dividend payments, providing investors with a double-digit annualized total return.

In October, Fool.ca contributor David Jagielski [cautioned](#) investors to avoid it because rising interest rates will put pressure on the company's commercial real estate loan portfolio.

I don't see it that way. Here's why.

It hasn't had a loss of principal in the last 10 years, despite a \$1.1 billion mortgage portfolio, 93% of which are first mortgages with a weighted average term of just 1.1 years. That provides the company greater control in the future should interest rates rise.

Bottom line: it's designed to pay out a majority of its income to shareholders. If you want double-digit returns over the long haul, Timbercreek is one dividend stock you can count on.

Fiera Capital Corp. ([TSX:FSZ](#))

Based in Montreal, Fiera Capital is Canada's third-largest independent publicly traded asset manager with \$128 billion in assets under management (AUM).

It got its start in fixed-income asset management. In 2012, fixed-income assets accounted for [64%](#) of its AUM. Today, it's less than 50% of AUM with a growing alternative strategies business to complement equities.

It's growing both organically and through acquisitions.

Most recently, Fiera announced that it acquired CGOV Asset Management for \$114.2 million, 58% of the deal in Fiera stock with the remainder in cash. The deal brings CGOV's high-net-worth (HNW) clientele to Fiera's HNW platform, which currently accounts for approximately 19% of its overall revenue.

The addition of CGOV bumps that up and should be good for the stock price. Currently trading at 10.3 times its forward 2018 earnings, Fiera is a good dividend value stock yielding 6.6%.

Chorus Aviation Inc. ([TSX:CHR](#))

What a difference a year makes for the Halifax-based operator of **Air Canada's** regional airline.

When I'd first [recommended](#) Chorus stock back in November 2016, it was trading around \$6. By early February, I'd recommended it again when it traded over \$9, because Prem Watsa bought \$200 million in convertible debentures to provide capital for its newest business — Chorus Aviation Capital, which leases jets between 75 and 135 seats to regional jets in Canada and elsewhere.

Since then it's dropped by a dollar, providing intrepid investors an excellent buying opportunity along with a juicy 5.9% dividend yield.

I'm not going to say anything else about Chorus, but if you do your due diligence, I think you'll find it's one of the top TSX stocks based in the Maritimes.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CHR (Chorus Aviation Inc.)
2. TSX:FSZ (Fiera Capital Corporation)
3. TSX:TF (Timbercreek Financial Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/25

Date Created

2018/04/19

Author

washworth

default watermark

default watermark