Income Investors: 2 High-Yield Stocks With Growing Distributions

Description

Rising interest rates are starting to push GIC returns off their multi-year lows, but many income investors are still not getting the yield they need from their savings.

Interestingly, the rising interest rate environment has taken some of the wind out of the sails of REITs and dividend stocks, giving income investors an opportunity to pick up some quality names at more reasonable prices.

Let’s take a look at two Canadian companies that could be interesting picks today.

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

RioCan owns shopping malls across Canada. As soon as investors hear that, they tend to take a step back. The retail sector is certainly changing, and there is no shortage of news around store closures, especially in the department store segment. However, RioCan continues to see strong demand for its space, and the company’s transition to being an owner and operator of mixed-use properties might not be getting the attention it deserves.

RioCan is monetizing properties in secondary markets to the tune of $2 billion. These funds are being used to shore up the balance sheet and fund ongoing developments in the company’s six core markets. In the next decade, RioCan intends to build up to 10,000 residential units at the company’s top urban locations. The first projects are already nearing completion in Toronto.

Income investors like RioCan because it pays a monthly distribution that currently provides an annualized yield of 5.7%. The units have enjoyed a solid recovery off the low of $23 in April to the current price near $25, and more gains should be on the way.

BCE (TSX:BCE)(NYSE:BCE)

BCE currently trades at $53.50 per share compared to its 12-month high near $63. Pundits say the pullback was long overdue, given then lofty multiple the market was giving the stock relative to its growth outlook, but the drop might be getting overdone.

BCE is a market leader with a wide moat and access to millions of homes and businesses across the country through its state-of-the-art mobile and wireless networks. The company is expanding its offerings to customers, including security services. In addition, people are embracing BCE’s app-based products that allow them to turn on the lights or monitor the activity of the family cat from work or while on vacation.

Data demand continues to rise, and BCE has the power to raise prices when it needs to boost revenue. The company is targeting single-digit revenue and free cash flow growth in 2018, which isn’t overly exciting, but it’s still good enough to support ongoing dividend increases that should trend about 5% per year. At the time of writing, the stock provides a yield of 5.6%.

At some point, the broader market is going to hit a rough patch, and BCE tends to hold up relatively well when corrections occur. In addition, there is a chance that future rate hikes could come at a slower pace than expected or even get put on pause next year. This would likely bring some money back into the go-to dividend names that have taken a hit in 2018.

The bottom line

Income investors can pick up RioCan and BCE at decent prices today and lock in above-average yields.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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Date
2025/10/01

Date Created
2018/08/31
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