Combat Volatility: Act Quickly and Scoop Up This Generous But Safe 8.8%-Yielding Dividend Dynamo!

Description

As Foolish investors, we're staying the course with equities, no matter what. They've been the best-performing asset class by far over the long term, and while there are much bigger bumps in the road relative to risk-free securities, investors can treat the recent bout of choppiness as an opportunity dampen the volatility with generous, but stable dividend-paying securities.

Think of dividends as shock absorbers for your portfolio. When the stock market road gets really bumpy, as it's been the case in 2018, you're going to want to equip your portfolio with shocks, so you don't get sick to your stomach by the daily moves that could make any investor toss their cookies (and their stocks) at the worst possible moment.

The bigger the dividend's yield, the more shock will be absorbed. The safer the dividend payout, the higher the quality of the shocks you're getting. While you could certainly equip your portfolio with low-quality shocks (a large but unsafe dividend), you're setting yourself up for a potential disaster down the road should your shocks fail you (an unexpected dividend reduction), leading you straight into a ditch.

So, as income investors who desire to tame the volatility, dividend safety is just as important, if not more important, than the magnitude of the dividend yield. Fortunately for those who want the biggest (and best-quality) volatility shocks, there's **Inovalis REIT** (TSX:INO.UN), an 8.8%-yielding security that's probably one of the safest of all +8% yielders out there.

Unlike most extremely high-yielding securities, Inovalis isn't an artificial (or accidental) high yielder, as the stock is just down 11% from its September high, a smaller drop than that either the TSX or the S&P 500 index, both of which flirted with bear market territory on Christmas Eve.

Back in September, when Inovalis shares were hovering near all-time highs, the yield was at 8%, with a sustainable FFO payout ratio of 71.4% and enough wiggle room for further hikes down the road in spite of the already very generous distribution that's enriched many shareholders alongside capital gains over the years.

For those who've never heard of Inovalis — and I suspect there are many! — it's a TSX-traded REIT that provides Canadians with instant exposure to the hot French and German real estate markets. The trust sported an applaud-worthy 96.7% occupancy rate, and although there were only 13 properties under the Inovalis portfolio, the trust is small enough to grow at an above-average rate while being able to continue to reward its shareholders with a consistently growing distribution.

You're getting above-average distribution growth potential, diversification into the European real estate market, and a massive upfront distribution for a modest price after the recent market-wide pullback. The only catch is Inovalis is a small-cap name with a mere $218 million market cap.

Despite being a "smaller-cap" name, the fundamentals are sound, and as a REIT, the risk level isn't greatly enhanced, as it would be for a smaller-cap stock that's not required to payout 90% of its taxable net income to shareholders in the form of a distribution.

Simply put, Inovalis is a hidden gem buried beneath the rough. And I think it's probably one of the best "volatility shock absorbers" on the TSX if you're looking to pad the choppy times that may be ahead.

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