The 3 Highest-Yielding Canadian Dividend Stocks in 2019

Description

Editor's Note (1/8/2019 @ 6:40pm): A previous version of this article stated HOT.UN's payout ratio as 700%. This article has been correct to reflect accurate information from the company's filing.

For dividend investors, the Toronto Stock Exchange has countless options to choose from. Whether you like bank stocks, utility stocks, REITs, or anything in between, there are more than enough income-generating equities to round out a diversified portfolio.

But for investors seeking extremely high income, the options are limited. The average dividend yield of the S&P/TSX Composite Index is about 3%, which is better than bank interest but doesn't exactly inspire excitement — especially compared to the capital gains you can earn with top growth stocks.

But every rule has its exceptions. And if you look closely enough, you can find plenty of TSX dividend stocks with ultra-high yields. In this article, I'll be sharing three of them — including one whose yield is almost impossible to believe.

Callidus Capital (TSX:CBL): 15% yield (trailing 12 months)

Callidus provides financing solutions for distressed companies that have a hard time securing loans. The company's business is risky by definition. But it pays a monthly dividend of $0.10, which, on paper, works out to $1.2 a year. For this reason, some financial information services mistakenly give the stock a yield as high as 60%.

However, company's payout has not been consistent in the past 12 months: in all of 2018, the company paid its "monthly" dividend just three times. This means the company's trailing 12-month yield is actually 15%, but that's still enough to make it the highest-yielding stock on the TSX. Additionally, assuming the company returns to making monthly payments this year, shares bought today would, in fact, yield over 60%.

American Hotel Income Properties REIT (TSX:HOT.UN): 14%

yield

American Hotel Income Properties is a REIT that specializes in hotels and discount lodging. The stock pays a US$0.054 monthly distribution, which works out to US$0.64 per year for a stock that trades at CAD$6.6. After factoring in the USD-CAD exchange rate, this gives us an annual yield of about 14%. Note that this stock's Available Funds From Operations payout ratio is was 84.6% in the latest quarter, with a full-year estimate of ~100%. Investors would be wise to keep an eye on this figure. Another thing to note is that this stock's high yield is partially attributable to the weak Canadian dollar; a sudden increase in the value of the loonie would send its yield lower.

Slate Office REIT (TSX:SOT.UN): 12.5% yield

Last but not least, we have Slate. Slate is a pretty unremarkable REIT that invests mainly in corporate office space. What is remarkable about the company is its distribution: it offers a $0.065 monthly payout, which comes to $0.75 on an annualized basis. That gave the stock a 12.5% yield at the time of this writing, making it one of the few TSX stocks to hit that coveted +10% metric.

Bottom line

Investing in ultra-high-yield stocks is risky business. Although the promise of a 15% annual yield is enticing, the companies that appear to offer such yields often have shaky payment histories — hence the low stock prices. Although the stocks in this article are among the highest yielding on the TSX, they are not necessarily the "best" TSX dividend stocks. If you're looking for a high-yield stock whose earnings are more reliable and whose payout ratio is within the realm of sanity, I'd recommend **TransAlta Renewables**, which yields 9.12% and has been raising its dividend since 2013 without missing a single payment.

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1. TSX:HOT.UN (American Hotel Income Properties REIT LP)
2. TSX:RNW (TransAlta Renewables)
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