2 Sky-High 8.5% Yields at Rock Bottom Prices

Description

Who says you can't have your cake and eat it too?

While the magnitude of the dividend yield may be indirectly proportional to growth and directly proportional to the amount of risk taken on, there are outliers out there that could grant you the perfect balance of growth and yield without requiring you to expose your portfolio to much additional risk.

I've dug through the TSX index, and the following two securities are sustainable high-yielders with a higher-than-average margin of safety at today's prices. Without further ado, here are the stocks:

TransAlta Renewables (TSX:RNW)

Kicking off the list is one of the most battered renewable power companies in the country. TransAlta Renewable stock sports a whopping 8.31% dividend yield after shares nosedived nearly 40% from peak to trough.

TransAlta has a solid portfolio of various green projects ranging from hydro to wind and solar. With approximately 2,400 megawatts of generating capacity, TransAlta renewables is not only one of the most rewarding green dividend stocks for shareholders, but the company's payout ratio (around 85%) is a lot lower than many other stocks that offer yields north of the 8% mark.

The stock trades at a 13.8 forward P/E, a 1.3 P/B, and a 6.3 P/S, all of which are considerably lower than the company's five-year historical average multiples of 79.9, 1.4, and 7.8, respectively. Given the secular rise of green energy and the company's decent financial health, I'd say that TransAlta Renewables is overbattered and could be a big rebound candidate in 2019 for those seeking to lock-in a high yield to go with substantial capital gains.

Inovalis REIT (TSX:INO.UN)

Inovalis is probably my favourite high-yielding REIT out there. The 8.3% yielding trust owns a small portfolio top-tier properties within the French and German markets. Although the massive yield seems too good to be true, it really isn't, as vacancy rates aren't at problematic levels. With the company's puny $234 million market cap, the trust will be able to scale up its operations at an above-average rate, paving the way for further distribution hikes and decent capital gains.

It's not just the growth potential and the high, stable distribution that has me loving Inovalis more than its +8%-yielding peers, however. Inovalis is an outlet for Canadian investors to obtain exposure to a relatively hot housing market that won't be affected by a Canadian housing meltdown, something many pundits have feared with Canadian-centric REITs.

Today, Inovalis is down 5% from its September high. Shares flopped around 13% during last year's fourth-quarter market plunge, and as undeserving as that punishment was, Inovalis shares are bouncing back fairly quickly. I think shares are headed past all-time highs, so if you can nab the stock at a slight discount, I'd go for it because next thing you know the yield will be pulled back to the 7% levels.

Foolish takeaway

You *can* have a high upfront yield, growth, and stability. You just have to know where to look. While there aren't many that can offer all three traits, Inovalis and TransAlta Renewables are two top-listers for prudent income-oriented investors.

Stay hungry. Stay Foolish.

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1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)
2. TSX:RNW (TransAlta Renewables)

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Date
2025/07/17
Date Created
2019/01/24
Author
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