Dividend Investors: 3 High-Yield Stocks for Your TFSA Income Portfolio

Description

The recovery in the equity market to start 2019 has wiped out some of the best bargains, but a number of top Canadian stocks still trade at depressed levels and some offer attractive dividends right now.

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Let's take a look at three stocks that might be interesting picks today for an income-focused TFSA portfolio.

Power Financial (TSX:PWF)

Power Financial trades at $26.50 per share compared to $34 at this time last year. The entire financial sector had a rough ride through the end of 2018. While the banks have picked up a nice tailwind, some of the other players in the sector remain depressed.

Power Financial is a holding company with Canadian interests that include a number of insurance and wealth management businesses. It is also part owner of a European holding company that owns stakes in a basket of the continent's top global companies.

The company raised the dividend last year and another increase should be in the way in 2019. Power Financial reported solid Q3 2018 results. Adjusted net earnings came in at $0.81 per share, compared to $0.65 in the same period in 2017.

At the time of writing, the dividend provides a yield of 6.5%.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is back up to $110 per share from the December low near $100, but it's still well off the 2018 high around $124.

The bank is generally considered to be a higher risk investment compared to its larger peers due to a heavy exposure to the Canadian housing market. It's true that a meltdown in house prices would be negative, but the likely outcome is a soft landing and CIBC is adequately capitalized to ride out any shocks.

CIBC has improved the diversification of the revenue stream through a US$5 billion acquisition in the United States. The purchase of PrivateBancorp helps hedge against potential trouble in Canada, and management has indicated that additional deals south of the border could be on the table, especially in the wealth management segment.

CIBC has a strong track record of divided growth, which should continue. The company is very profitable, and while it slightly missed earnings expectations in fiscal Q4 2018, the numbers are still solid.

At less than 10 time trailing earnings and the current dividend provides a yield of 4.9%, the stock appears cheap.

A and W Revenue Royalties Income Fund (TSX:AW.UN)

The tasty burgers and famous root beer continue to draw customers of all ages, and A&W has done a good job of marketing itself as a healthy player in the burger space. Advertisements boasting the products are not raised using antibiotics or steroids might not seem like a great way to bring people in the door, but the strategy has worked.

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Royalty income rose 18% in Q3 2018 compared to the same period in the previous year, supported by a 13% increase in same store sales. The company raised the monthly dividend from $0.141 to $0.143 per unit.

More gains should be on the way, as the company plans to add new stores and the trailing 12-month payout ratio fell to 92.7%, compared to 97.4% in Q3 2017.

The current distribution provides a yield of 4.8%.

The bottom line

Power Financial, CIBC, and A&W all pay growing distributions that offer above-average yield. The stocks are off their December lows, but still appear attractively priced.

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2. TSX:AW.UN (A&W Revenue Royalties Income Fund)

3. TSX:CM (Canadian Imperial Bank of Commerce)

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