3 Great Investments With 6% Yields

Description

High dividend stocks come with numerous risks. Once the dividend pushes about 6%, it begins to look like the market is starting to price in the possibility of a dividend cut. With a dividend cut often comes the very real possibility of capital loss on the stock itself. But if you can find a stock that the market has irrationally cut due to short-term thinking, you might have a massive yield with significant capital growth in the future.

The Canadian market has a number of stocks with high yields that just might be solid enough to take a chance on. External factors like depressed oil prices, global economic risks, and a generally pessimistic view of the Canadian housing sector have all knocked down the prices of Canadian equities. This makes the actual, company-specific risks most likely somewhat less than what the market expects.

Inter Pipeline (TSX:IPL)

Operating in the much-hated oil and gas space, IPL's stock price has been crushed heavily over the past couple of years. While that has hurt capital gains, the dividend has continued to tick upwards throughout the tough times. While the dividend increase of 1.8% announced last November was modest, it still indicates the confidence management has in the ability to maintain the monthly payout. The stock has a yield of over 8%, making this a potentially big money maker for the next several years.

Exchange Income (TSX:EIF)

With its airlines, flight training centres, window wall system businesses, and stainless water tanks, Exchange Income has its hand in a lot of different pots. The company's strategy and strategic vision have led to some pretty fantastic financial results. Consolidated revenues for the company increased by 22% year over year in the third quarter and free cash flow increased 12%. That amount of growth should be able to cover and grow its dividend in the foreseeable future.

Considering the yield is now around 7.5%, that coverage is pretty impressive. Even more attractive is the fact that the company has hiked the dividend for years, including a 4.3% increase announced in February of 2018.

Keyera (TSX:KEY)

Keyera is one of the largest oil and gas midstream companies in Canada. It primarily transports gas liquids such as propane and butane around North America. The beautiful aspect of the company is that it is a fee-for-service company, meaning that it is inoculated to a degree from the downturn in oil and gas that has plagued the industry.

Due to concerns over its debt levels, Keyera's stock has been under considerable pressure for the past few months. The fact is, though, that Keyera has been raising its stock price for years, often twice a year. The combination of the stock price collapse and the 6% dividend increase last year have resulted in a yield of 6.33%.

Keep your eye on the prize

The yields are juicy, the stocks seem solid, and the market most likely has more upside than down at these levels. But the fact remains that the market sees a problem that is causing the yields to remain high, right or wrong. Therein lies the risk. There might be something that will cause these companies to cut their dividends.

In my opinion, though, the potential returns outweigh the downside risks on these particular stocks. But opportunity occurs in the heart of pessimism, unfortunately. The best deals occur when everyone hates an asset, not when everyone is crowding into it. These stocks could provide excellent income, capital gains, and long-term returns for patient investors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)
2. TSX:KEY (Keyera Corp.)

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