



This 8.5% Yielder Pays Cash Every Month

Description

Many high-yielding dividend stocks have embraced a monthly pay approach, which is fantastic news for retirees.

Sure, it isn't that hard to budget for quarterly dividends, but it's nice to have cash flow coming in each and every month in case of an emergency or even to take advantage of a good short-term deal on something.

Besides, most of our bills are paid monthly. The electric, gas, and water companies all expect to be paid each month. Most employees are paid at least monthly, with many being paid semi-monthly or even bi-weekly.

In other words, it's good to stuff your portfolio full of stocks that pay monthly dividends.

Let's take a closer look at one of my favourite monthly dividend stocks, a specialty finance company offering a whopping 8.5% yield.

A special kind of investor

Alaris Royalty Corp (TSX:AD) has a niche role in the financial markets. The company makes preferred share equity investments in private companies in old-school sectors looking for capital.

This combines the best of both worlds for both Alaris and its investors. Alaris secures a succulent yield from its partners, a payout that enjoys a similar protection level to debt. The payout is then adjusted upwards if the underlying company succeeds in growing its top line revenues.

The partner also retains the right to buy out Alaris's preferred shares, but usually at a big premium to the original investment price.

This combines to give Alaris equity-level returns with the kind of security you typically see with debt. It's a good combination.

Let's look at one of Alaris's recent deals as an example. The company recently invested \$70 million into Amur Financial, a Canadian-based specialty lender and alternative finance company.

In exchange for this investment, Alaris will get \$20 million in Amur common shares and \$50 million worth of debt and preferred shares with a yield of 13%. No, that isn't a typo. Alaris regularly negotiates deals with that type of yield.

Today, Alaris has 17 different partners, with more than 80% of its revenue coming from the United States. Large chunks of its portfolio is invested in the industrial products, consumer products. and business services categories of the economy.

Apart from its 17 partners, Alaris has also completed 13 different investments. Not every one of these has worked out, but the firm has generated a 73% return on these positions on average — exactly the type of track record shareholders want to see.

Alaris continues to grow, with investments of \$170 million into various businesses so far in 2019 and averaging \$150 million in investments annually over the last five years.

Since its inception, the organization has invested more than \$1.3 billion into various businesses. Despite this clout, however, the company remains a lean operator with just 14 employees in its Calgary-based head office.

What about the dividend?

Alaris offers an 8.5% monthly dividend yield, a payout the [high yield](#) naysayers immediately say is unsafe. But is that really true?

Let's look at the company's dividend history first. Alaris has not only maintained its dividend since 2009, but it has raised the payout 11 times since. Its most recent dividend hike was back in 2018.

The payout also looks very sustainable on a going-forward basis, too. Alaris projects it'll earn \$1.96 in cash flow from operations in 2019. It pays an annual dividend of \$1.65 per share for a payout ratio in the 84% range, which gives us plenty of wiggle room.

In fact, I wouldn't be surprised if another dividend hike is in the cards for 2020, especially if the company can put some more capital to work.

The bottom line

Alaris is the perfect stock to add to your portfolio for a little extra income. It even comes with upside potential; shares trade under \$20 today, well under all-time highs of \$36.

You don't need to worry about the sustainability of the payout, either. Alaris' portfolio is stuffed with conservative companies that will weather the [next recession](#) well. The only thing left to do is sit back,

relax, and collect your dividends.

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