High Yield and Dividend Growth: Get it All With These 3 +6% Yielders!

Description

According to the naysayers, all high yield stocks are at risk of cutting their generous payouts.

Smarter investors know that simply isn't true. Sure, all things being equal, a stock with a generous yield is more likely to cut its dividend. But all things are not equal.

There are dozens of stocks in the high yield universe on the **Toronto Stock Exchange**. Some are fantastic operators. Most are somewhat mediocre. And some are just a dividend cut waiting to happen.

As dividend investors, is job to put our cash to work in the stocks with the best payouts — securities that also have ample opportunity for dividend growth.

This is easier than you think. Here are three stocks that offer fantastic yields that also have the potential for nice dividend growth.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is North America's largest energy infrastructure company. It owns a plethora of oil pipelines, natural gas pipelines, as well as one of North America's largest natural gas utilities. It also has been expanding into renewable power generation, developing wind power facilities. These wind farms generate enough electricity to power some 670,000 homes.

The logic behind an Enbridge investment is as simple as it is powerful. It appears that the appetite for new pipelines is incredibly low, especially here in Canada. Yet oil still needs to be moved, or there isn't going to be enough gasoline to fill our cars. Enbridge is the big winner in such a scenario. Its existing pipelines will only increase in value.

Despite this strong long-term trend, Enbridge shares continue to be weak. Investors are worried about short-term issues, the kinds of things that won't matter at all a few years from now. This makes today an excellent entry point.

Now let's talk about Enbridge's dividend. The current yield is a succulent 6.2%, but that's not all. It has already promised a 10% dividend increase in 2020, and it should be able to deliver similar increases over the medium-term too. Remember, Enbridge has hiked its dividend by an average of 12% per year over the last 20 years.

Capital Power

Capital Power (TSX:CPX), the Edmonton-based owner of coal, natural gas, and renewable power plants, has come a long way since 2015.

That was the year the Alberta government forced it to start getting out of the coal-fired power business, announcing that all coal power plants in the province must be either shut down or converted to natural gas by 2030.

Management responded, taking the some of the cash issued as compensation for this and investing it into a long-term growth plan to diversify away from both coal and Alberta.

It has worked nicely. Just a few years later, the company owns 6,300 mw of production, including various assets under development. The company has gone from generating 66% of its energy from coal in 2014 to just 3% today, diversifying the portfolio nicely away from Alberta. Approximately 50% of revenues come from outside the province, with plans to reduce that dependency further.

Capital Power boasts an excellent dividend, with shares currently yielding 6.2%. It has grown the payout by approximately 7% per year since 2013, with plans to continue that growth rate going forward. That's a nice combination of yield and dividend growth.

Brookfield Property

Brookfield Property Partners (TSX:BPY.UN)(NASDAQ:BPY) owns some of the world's finest real estate. Prominent assets include office buildings in downtown Toronto, New York, London, Berlin, and others. It also owns a smattering of the top shopping malls in the United States, as well as a distressed real estate portfolio that gobbles up unloved assets around the world.

Put it all together and it translates into a pretty impressive portfolio of more than 100 million square feet of gross leasable space.

And yet, shares trade at a persistent discount to management's estimate of fair value, which is US$30 per share. To help bridge this discount, the company is using much of its excess cash to repurchase shares. 702,820 shares were bought back in August, followed by an additional 750,000 shares in September.

While investors wait for shares to appreciate to at least management's estimate of fair value, they're treated to a dividend yield that has recently surpassed 6.9%. This yield, plus the company's estimate of 5-8% long-term dividend growth, makes Brookfield Property Partners an excellent holding in any income portfolio.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:CPX (Capital Power Corporation)
4. TSX:ENB (Enbridge Inc.)

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