



Dividend Investors: 2 of the Best High-Yielding Finance Companies

Description

Companies that have been lending to other small businesses have had one of the top business models the last few years.

Lending or investing in small businesses can be extremely profitable but can also come with a lot of risk. If you can manage the risk well, though, and have a solid investment philosophy, the returns that are available can be extremely rewarding.

The risk that is always present will be exacerbated as we edge closer to a recession, but if the companies are strong operators, with a history of disciplined investment and loan originations, the risk will be reduced considerably.

On top of that, these companies provide passive income, so a lot of the cash flow will be stable and naturally help to protect your investment.

Two of the top companies to watch in Canada that have exposure to small businesses across North America and are great passive-income generators are **Alaris Royalty** (TSX:AD) and **Chesswood Group** ([TSX:CHW](#)).

Chesswood Group

Chesswood is engaged in the small-business lending industry. Through its subsidiary companies, it gives business loans and equipment financing to small- and medium-sized businesses across North America.

Chesswood's primary goal is to provide shareholders with a solid passive-income stream, paying out the majority of the returns it makes.

The company has stated its awareness that the industry it operates in is in the later stages of its cycle. It believes, though, that with its continued disciplined and strategic approach, it can continue to improve its position in the industry, regardless of the environment.

Free cash flow, the measure which the company believes best represents the company's performance, is slightly down through the first three quarters of the year compared to last year; however, this was due to start-up costs from its Tandem Finance company.

Besides that, the company is positioned the best it can be and will continue to protect shareholder capital going forward.

Its dividend yields more than 8%, and its price-to-earnings ratio is less than 10 times, making it extremely attractive.

Alaris Royalty

Alaris has long been a top stock on the TSX, especially for passive-income seekers. It's a [Dividend Aristocrat](#) and pays an exceptional dividend that yields roughly 7.5%.

Alaris is one of the best at allocating and investing capital in many small businesses, mostly across the United States.

Many of its companies pay it a monthly distribution; however, it offers flexibility to the businesses it works with to create an investment plan that suits the needs of its clients.

Regardless of the structure of each deal, it has a tremendous track record for finding high-quality companies and generating massive returns on the capital it invests.

Furthermore, it has an efficient organizational structure that gives it extremely low overhead and allows it to earn ridiculously high operating margins.

What's also attractive about Alaris's business is that companies will always need funds, so it has a strong and consistent pipeline of deals to consider, giving it potential for growth well into the future.

The dividend yields an attractive 7.5%, has a payout ratio of just 84%, and has been increased 11 times since 2010.

Alaris is a great stock that's been rangebound for the last few years but finally looks as though it's about to break through resistance, as it trades at its 52-week high.

Bottom line

Both companies are well-run and offer investors solid dividends that are highly sustainable, especially given their high-yield nature.

Although there is some risk creeping into the market and the loan industry as a whole, these stocks have tremendous risk management, and will protect your capital as well as any other company on the

market.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:CHW (Chesswood Group)

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