



## Income Lovers: Can You Count on These 3 +10% Yields?

### Description

The logic behind investing in high-yield securities is simple. If a decent dividend is good, then more income must be even better.

Unfortunately, there's one big issue. There's a reason why these stocks offer such attractive dividends. The market is assuming the payouts are all at risk. Not only will a slashed dividend result in a loss of income; usually the stock price tanks in response, too.

But unlike other investors who won't touch these stocks, I view things a little differently. I think investors can use a little due diligence to accurately predict which of these names will continue to pay dividends. The process won't be perfect, of course, but we can certainly increase our odds by doing a little critical thinking.

With that in mind, let's take a closer look at three of Canada's highest dividend stocks — income sources all yielding +10%. Can they continue to afford such generous payouts?

### Chemtrade Logistics

I won't bury the lede. **Chemtrade Logistics** ([TSX:CHE.UN](#)) — which is a major player in the specialty chemicals business — has already cut its distribution recently. The payout was slashed from \$0.10 per share on a monthly basis to \$0.05 per share. Shares also cratered close to 50% on the news.

Investors are worried Chemtrade's main business lines will suffer with the underlying economy. Major products include sulfuric acids that are used in oil refining, materials used to purify drinking water, and various bleaches used by the pulp and paper industry. Cities still need clean water, but the other two divisions are dependent on the underlying economy for a recovery — something that could take months.

Like many other stocks, Chemtrade has suspended its full-year earnings estimates. But the good news is the company's facilities are considered to be essential, and business continues as usual.

This update, plus the company's large cash hoard and untapped credit facility, should bode well for the 12.1% dividend. I think this is a safe income source, at least for the time being.

## Pizza Pizza

Every [fast-food stock](#) in Canada has been crushed lately, but **Pizza Pizza Royalty** ([TSX:PZA](#)) has held up much better than its peers. Since so much of its business is already delivery, investors are betting the company's business will hold up pretty well.

There are some 800 Pizza Pizza and Pizza 73 stores in Canada, with the latter brand almost exclusively located in Alberta. Pizza Pizza's recent results have been pretty solid, with Pizza 73 weighing things down. With the price of oil languishing under \$30 per barrel and the overall economy in Alberta struggling, investors should expect Pizza 73's numbers to be especially disappointing.

As it stands today, the company pays a \$0.855 per share annual dividend. Last year, it earned \$0.85 per share. 2020's earnings will likely be lower. Combine that with the fact most of its competitors have already cut their dividends, and the future doesn't look great. I'd guess the company's 10.2% income stream will be slashed relatively soon.

## Canoe EIT Income Fund

**Canoe EIT** ([TSX:EIT.UN](#)) is a closed-end fund that uses a [covered call strategy](#) to really supercharge investor yields. It also uses a layer of leverage to give the fund an added boost. Unfortunately, that also adds a little risk to the investment.

Here's how the fund works. It buys blue-chip North American stocks and then collects income by selling a call option on these names. It's a strategy that increases income but depresses capital gains, because this creates a sell obligation that is often under the prevailing market price. This limits upside potential.

However, there are two pieces of good news that imply this 14.8% yield could be secure. Firstly, covered call spreads are quite large these days. This usually happens during periods of high volatility. And it has a history of paying a steady dividend for at least a decade now — a streak it won't want to put into jeopardy.

## The bottom line on these juicy income sources

If you're looking for huge yields, I think you'll be pretty happy with +10% dividends from Chemtrade Logistics and the Canoe EIT Income Fund. I'm not as confident about Pizza Pizza as a long-term income source, but I also don't think a potential dividend cut would be that severe.

### CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:EIT.UN (Canoe EIT Income Fund)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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## Author

nelsonpsmith

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