



Generate \$830 in Monthly Dividend Income With \$100,000 Capital

Description

It's always good to have a second stream of income — and more so in these uncertain times. As interest rates have collapsed, bonds are no longer an attractive option. However, due to the recent pullback in equity markets, there are a few stocks that have high dividend yields.

Here, we look at three such stocks trading on the **TSX** that can be considered by dividend or income investors.

This chemical company has a dividend yield of 11.3%

Chemtrade Logistics Fund ([TSX:CHE.UN](#)) is an industrial chemical company. This stock is currently trading at \$5.3, which is 55% below its 52-week high of \$11.71. The correction in Chemtrade's stock price has meant its forward yield stands at a tasty 11.3%.

Chemtrade supplies industrial chemicals to companies. Its stock is structured as an income fund which means investors will be paid a monthly dividend. Chemtrade has been paying dividends since 2001.

The company has [a strong dividend payout history](#) and did not cut dividends even during the financial crisis of 2008. However, on March 11 of this year, Chemtrade slashed its dividend by 50% to \$0.05 per month. In 2019, Chemtrade earned \$0.74 per share in distributable cash flow. This indicates a payout ratio of 80%.

Company sales are expected to fall by 1.6% in 2020 and then rise by 4.4% in 2021. Comparatively, its earnings are estimated to improve by 68.5% in 2020 and 58.8% in 2021.

Analysts tracking Chemtrade have a 12-month target price of \$7.44 which is 40% above the current trading price.

Alaris Royalty

Alaris Royalty (TSX:AD) is another high dividend-yielding stock. The stock is trading at \$10, which is 57% below its 52-week high. Similar to Chemtrade, Alaris has also cut its dividend yield by 30%. Despite this cut, Alaris stock has a forward yield of 11.5%.

Further, Alaris used to pay monthly dividends to shareholders. This has now changed to quarterly payouts. Alaris Royalty provides capital to Canadian companies in exchange for monthly cash distributions. While these distributions are set 12 months in advance, the COVID-19 uncertainty has exacerbated certain risks.

During the company's recent quarterly earnings call, Alaris stated that four of its 12 business investments including Planet Fitness have been impacted severely. As lockdown rules ease and normalcy return, Alaris stock should stage a comeback.

Analysts tracking Alaris expect sales to fall by 11.8% this year and rise 11.2% in 2021. Earnings are estimated to fall by a massive 37.8% in 2020 and rise by 19.6% in 2021. Analysts have a 12-month average trading price of \$12.35 for the stock — 23.5% higher than the current trading price.

This energy stock has a dividend yield of 7.2%

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) stock is trading at \$34.8, which is 35% below its 52-week high. This has meant the stock's forward yield stands at 7.2%. Pembina is a company in the energy sector. It generates over 90% of sales from contract fees making the company largely immune to volatile commodity prices.

But the stock is exposed to volume risks due to oversupply and low demand. However, 70% of Pembina's revenue is derived from the take-or-pay contract. Here, customers have to pay for Pembina's services [whether or not they use them](#).

In order to conserve cash, Pembina has deferred \$1 billion in capital expenditure. Its sales fell 15% in the first quarter to \$1.67 billion and earnings fell 10% to \$0.50. Its payout ratio stands at 73% which indicates dividend payments are safe in 2020.

The Foolish takeaway

Stocks with high dividend yields are risky, especially if the dreaded virus continues to weigh heavily on consumer demand. But these companies provide investors with an opportunity to grow investments via capital gains as well, making quality stocks a must-have for your portfolio.

An investment of \$100,000 distributed equally across these three stocks will result in annual dividend payouts of \$10,000.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:CHE.UN (Chemtrade Logistics Income Fund)
4. TSX:PPL (Pembina Pipeline Corporation)

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Date

2025/08/24

Date Created

2020/05/27

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