3 Stocks That Will Electrify Your TFSA

Description

In previous articles, I've discussed why the TFSA was my favourite registered account. Its flexibility allows for a plethora of different approaches that investors can embrace. A growth-oriented investor could have made a fortune over the last decade due to the explosion of stocks in spaces like cannabis, technology, and healthcare. But an income-oriented investor could have gobbled up steady income through REITs and other dividend stocks. Today, I want to look at two REITs and an income fund that can supercharge your TFSA.

Why REITs are perfect for a TFSA

Real estate has taken its lumps in the COVID-19 crisis, but it has also shown resilience. Rents have been stable in the face of this financial crisis. This is due in no small part to the radical actions of the Canadian government to provide relief. The next months will be crucial as many who lost their jobs will look to return to work in an uncertain environment. For those who can no longer rely on CERB payments, REITs can provide attractive monthly income. Moreover, these monthly dividend payments are tax-free in a TFSA.

Two REITs to stash right now

Automotive Properties REIT (TSX:APR.UN) is an open-ended real estate investment trust (REIT) focused on owning and acquiring income-producing automotive dealership properties in Canada. Earlier this month, I'd discussed the devastating impact COVID-19 has had on the auto industry. Shares of Automotive Properties REIT have dropped 21% in 2020 as of close on June 12. However, the stock is up 31% month over month.

The company released its first-quarter 2020 results on May 14. Rental revenue increased 18.6% year over year to $18.6 million. This was powered by recent acquisitions. Moreover, adjusted funds from operations (AFFO) climbed 28.5% to $9.9 million. Best of all for TFSA investors, the REIT announced a May 2020 distribution of $0.067 per share. This represents a monster 8.7% yield.

Best of all, the stock last possessed a favourable price-to-earnings (P/E) ratio of 10 and a price-to-book (P/B) value of 0.8. It is not too late to pounce on its value.

Northwest Healthcare REIT is an open-ended REIT focused on high-quality healthcare real estate. Its stock is only down 5.4% so far in 2020. Shares are up 18% month over month. Northwest Healthcare is a great target in an environment where the importance of healthcare facilities is front and centre. It announced a May 2020 distribution of $0.06667 per share, representing a strong 7.3% yield. TFSA investors have more reason to rejoice as the stock boasts a favourable P/E ratio of 11 and a P/B value of 1.2.

One stock to hold this summer and beyond

A&W Income Fund (TSX:AW.UN) holds investment in A&W Trade Marks Inc., which owns the A&W trademarks used in the restaurant chain. Shares of the income fund have dropped 23% in 2020 so far. The stock is up 6.3% month over month. Restaurants have been precarious for TFSA investors, but there are good reasons to target A&W today.

In the first quarter of 2020, A&W saw same-store sales growth sink 4% from the prior year. Like many other restaurants, A&W took a significant hit due to the COVID-19 pandemic. Many of its locations are in food courts across North America, which have been closed. However, recent acquisitions managed to offset the sharp downturn.

A&W was forced to suspend its dividend in response to softer sales, but this should not dissuade TFSA investors. This was a savvy move in this environment. Moreover, investors can still scoop A&W at a discount in anticipation of a return to form on the income front later. The stock last possessed a favourable P/E ratio of 15.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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