



TFSA Investors: 1 Value Stock With a High-Dividend Yield

Description

Timbercreek Financial ([TSX:TF](#)) is focused on [providing financing solutions](#) to qualified real estate investors who require funding and who are generally in a transitional phase of the investment process, such as redevelopment of a property. The company fulfills a financing requirement for real estate investors that is not well serviced by the commercial banks.

Real estate investors typically use short-term loans to bridge a period of one to five years, during which the property gets redeveloped. These short-term loans are typically repaid with traditional bank mortgages once the transitional period is over or a restructuring is complete.

Focused on capital preservation

The company focuses on capital preservation and [maintaining a diversified portfolio](#) of mortgages that generates attractive and stable returns in order to permit the company to pay monthly dividends to the shareholders. To achieve these objectives, the company benefits from the extensive experience of Timbercreek's management in originating, underwriting, and investing in real estate debts both as a lender and an equity participant.

Timbercreek currently manages approximately \$3 billion in assets. Since 2007, it has originated, underwritten, funded, and serviced over \$13 billion of capital, financed by public and private investment vehicles and institutional partners. This platform provides substantial market knowledge, underwriting support, and asset management expertise.

Well-diversified investment portfolio

Timbercreek's portfolio is well diversified. The company is qualified as a mortgage investment corporation (MIC) under the Tax Act. As an MIC, the company is entitled to deduct all taxable dividends paid by the company to shareholders during the year. The company distributes annual profit from operations to shareholders through the monthly payment of dividends so as to eliminate Timbercreek's own tax liability.

The company primarily focuses on lending against properties where there is existing rental income, as these assets are typically more liquid and have a lower probability of default. The company also invests, on an opportunistic basis, in enhanced return portfolio investments, consisting of non-mortgage investments that offer compelling risk-adjusted returns.

Significant real estate debt experience

The experience of Timbercreek's team and the company's investment structure have provided Timbercreek with several competitive advantages to achieve business objectives. Timbercreek's capital has been financed by public and private investment vehicles.

This real estate debt experience allows the company to have a deep understanding and perception of the trends, risks, and opportunities associated with the mortgage investments and the underlying real estate. This enables the company to better assess investment opportunities and manage risks.

High dividend yield value proposition

The current portfolio generates an aggregate annualized yield of approximately 7.98% per share, net of fees and expenses. Over the last four years, the company has maintained an average dividend payout ratio of 94.9% on distributable income, despite the historically low interest rate environment it has experienced. This demonstrates the company's resiliency and ability to maintain steady income, which is fundamental to Timbercreek's investment proposition.

Overall, Timbercreek has significant ability to provide comprehensive solutions to borrowers. This should serve long-term shareholders well, as it provides the company with access to a strong supply of mortgage investment opportunities.

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