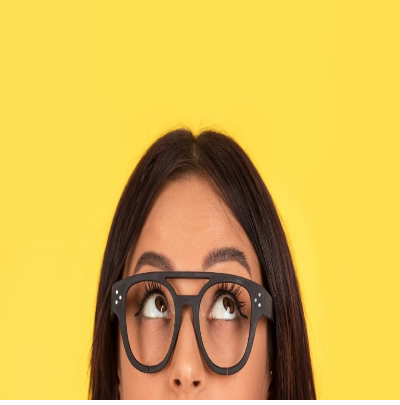


Income Investors: 3 Big Dividend Stock Must-Knows

Description

Big dividends can be enticing, especially if they come from Canadian dividend stocks that tend to increase their dividends.

Here are three Canadian Dividend Aristocrats with the biggest dividend yields. They illustrate the kinds of things income investors should look out for when seeking generous income from big-dividend stocks.

Is the big dividend sustainable?

Among big dividend stocks on the Canadian Dividend Aristocrat list, **Slate Grocery REIT** (TSX:SGR.UN)(TSX:SGR.U) provides the biggest yield of approximately 8.2%. Income investors must determine if that cash distribution is sustainable.

Last year, the economy being hit by the pandemic was a good test for the REIT. Slate Grocery REIT owns and operates a U.S. real estate portfolio that is 100% grocery-anchored. Its top five tenants are supermarkets or grocery stores, including **Wal-Mart** and **Kroger**.

The REIT had approximately 65% of essential tenants and achieved nearly 93% of occupancy rate last year. This led to a funds from operations (FFO) payout ratio of about 82%. However, its adjusted payout ratio was 99%, which could be why its recent cash distribution growth has been slow. In constant currency, the REIT's five-year dividend-growth rate is 2.1%, while the increase in 2020 was 1.4%.

All told, because of its high payout ratio (even for a REIT), Slate Grocery REIT's dividend isn't super secure. However, as the U.S. dollar have weakened against the Canadian dollar, it could be an income/forex play for interested income investors who choose to size their position accordingly.

What's the dividend stock's sensitivity to economic cycles?

Brookfield Property Partners's (TSX:BPY.UN)(NASDAQ:BPY) core assets in office and retail properties make up about 85% of its balance sheet.

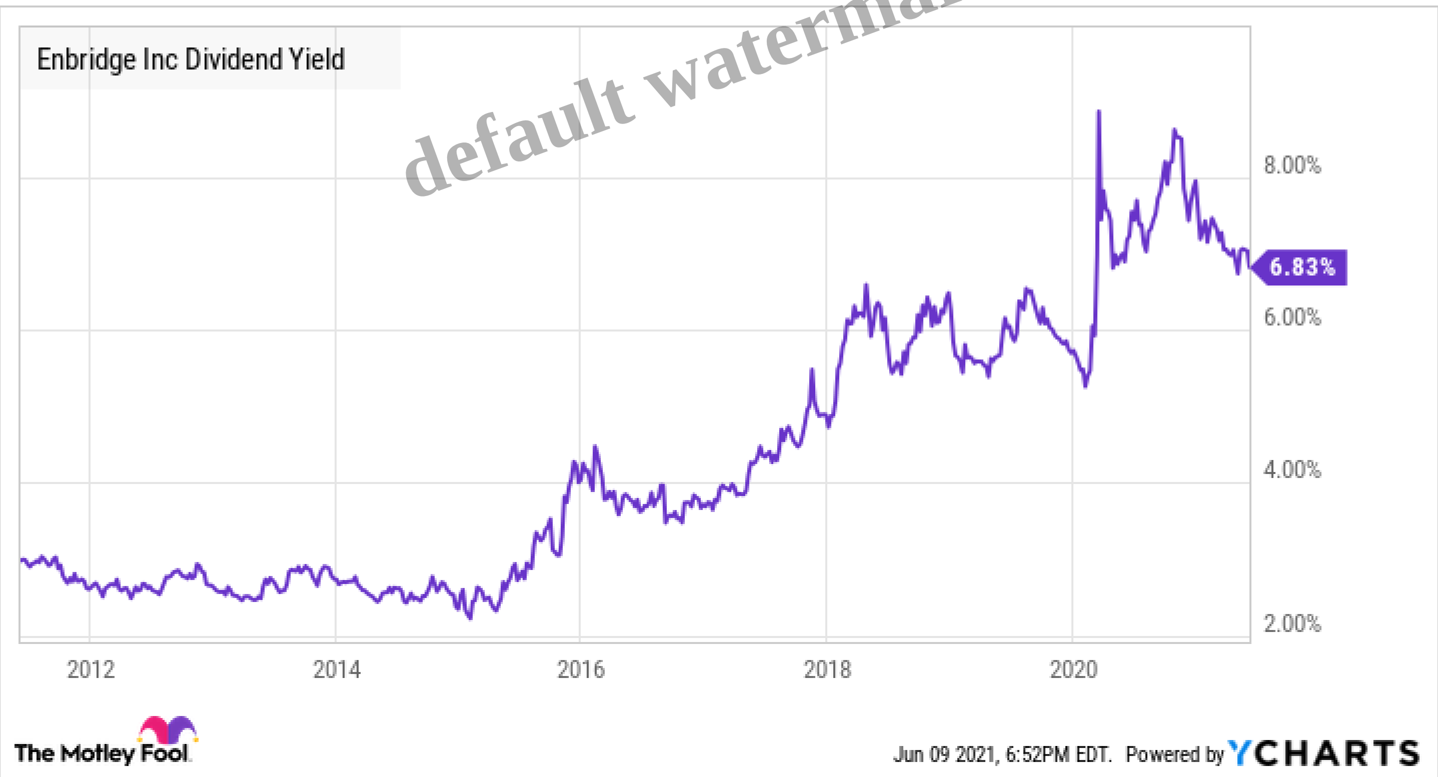
The big dividend stock saw its company FFO and realized gains per unit decline 38% in 2020. There were two main reasons for this: reduced rental income and fewer opportunities for asset sales at good prices during 2020 due to pandemic disruptions. Excluding realized gains, FFO per share fell 40% year over year.

So, if anything, the real estate company's ongoing capital recycling, which is a part of its business model, helped soften the economic cyclicality blow to its portfolio.

The dividend stock became so cheap last year that the company repurchased shares. Its parent company went as far as executing a privatization process for the rest of the shares this year. This action shored up immediate value for those who added to the value stock at basement prices during the market selloff last year.

Does it have a slowed dividend-growth rate?

Enbridge (TSX:ENB)(NYSE:ENB) stock's yield has climbed in the past five years while its growth rate has slowed.



ENB dividend yield data by YCharts.

It has transitioned from one of the most sought-after high-growth dividend stocks to a big-dividend stock with slower growth. From 2000 to 2015, it was in a high-growth mode and grew its dividend per share by about 20% per year.

The North American energy infrastructure company is much larger and much more mature now. From

2015 to 2020, its distributable cash flow per share (DCFPS) increased by roughly 4.7% per year. Although it still managed to increase its dividend by approximately 11.7% in this period, investors who kept a keen eye on the key DCFPS metric would have foreseen a further slowdown in the dividend growth. Its 2021 dividend increase was 3.1%.

Enbridge stock is not necessarily a bad investment. Its role in a dividend portfolio has simply switched from being high growth to high income. ENB stock's 6.9% yield is still very attractive for those seeking a fixed-income investment substitute.

Notably, interest rate increases could lead to a temporary selloff in high-yield, slow-growth stocks like Enbridge that have become what some pundits call "bond proxies."

With management guiding a DCFPS growth rate of 5-7% through 2023, it would be prudent to anticipate annual dividend growth of about 3-5% in that period.

The key point here is that high growth rates don't last forever. What accompanies slow growth in dividend stocks that were once high growth would likely be valuation contractions that push their current dividend yields higher.

CATEGORY

1. Dividend Stocks
2. Investing
3. Personal Finance
4. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:ENB (Enbridge Inc.)
4. TSX:SGR.U (Slate Retail REIT)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks

2. Investing
3. Personal Finance
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/25
Date Created
2021/06/10
Author
kayng