Passive Income 101: 2 Beaten-Down TSX Stocks to Buy on the Way Down

Description

Although the recent market correction has targeted the tech-heavy Nasdaq 100, many value names with dividends were dragged down in the wreckage. For passive-income investors looking for a bit more yield, it's a great time to get in with the S&P 500 now officially in that previously elusive correction territory.

In this piece, we'll have a look at two TSX stocks that were dragged down but probably should have held their own. With the Bank of Canada (BoC) holding off on its rate hike, inflation could stick around for a while longer, perhaps much longer than expected, driving home the case for buying and holding quality high yielders on this latest dip.

Consider shares of well-run retail REIT **SmartCentres REIT** (TSX:SRU.UN) and pipeline behemoth **Enbridge** (TSX:ENB)(NYSE:ENB). Both stocks sport juicy yields north of the 6% mark and are an intriguing value after being dragged lower over the past few weeks.

SmartCentres REIT

SmartCentres REIT is fresh off a nearly 9% decline, propelling the yield back above the 6.1% level. After having bounced back from the worst of 2020 lockdowns, shares of the REIT are now in the process of flatlining around that $30 mark. Indeed, most of the money has already been made in the name. That said, I think the 6% yield is worth grabbing for passive-income investors who are looking for a great bang for their buck. Undoubtedly, the past two years' worth of upside is out of the cards, even as we move closer to endemic territory.

With a solid long-term plan to diversify its book into residential real estate, however, there's still a pathway to a new all-time high, perhaps the $40 mark over the next three years. Indeed, retail real estate is hard to get behind, even best-in-breed ones. But Smart is more than just a strip mall play; it's more of a play on finding the perfect symbiosis of residential and retail, as I've noted in prior pieces.

With a solid management team and an improving narrative, it's hard to ignore SRU.UN, even if shares stay stuck in the $30-31 range for longer. The big distribution can help you bring the fight to inflation, and in a year where prospective returns are lower, that's the most that passive income-investors could ask for.

Enbridge

Enbridge is the dividend heavyweight that needs no introduction. The company has been rallying alongside energy prices of late, and investors seem to appreciate the firm's ability to keep its dividend alive through the volatility storm of 2020. Moving ahead, investors can expect more of the same from the firm, frequent dividend raises, and a good shot at continued momentum through year's end.

Although the stock isn't the same steal it was over a year ago, shares are still trading at a very modest multiple, given how much the environment has improved in recent quarters. While Enbridge isn't as sensitive to oil price movements, it will benefit as its clients do. Booming energy demand and continued operational improvement are painting a pretty picture for that juicy dividend, currently yielding 6.6%. Indeed, dividends and fundamentals matter now more than ever. As the growth trade fades, look for discounted names like Enbridge to pick up the slack for broader markets.

CATEGORY

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2. TSX:ENB (Enbridge Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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