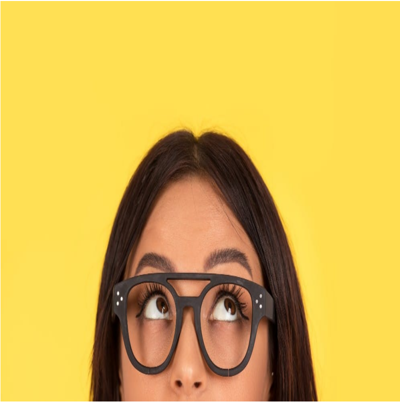

2 Small-Cap Stocks to Buy for a Powerful Yield

Description

The market cap is not a number people realistically consider when looking for good dividend stocks. Yield usually takes priority over everything, and most people look at the stock's dividend history and payout ratio to gain an idea about the sustainability potential.

However, the market cap *does* have a psychological impact. Some investors naturally assume that small-cap companies may not sustain massive yields simply because of their size. But that's not true. In a harsh market, a large-cap giant like **Suncor** had to cut its dividends, whereas many small-cap companies managed to sustain theirs.

And these two small-cap companies should be on your radar for their sustainable dividends and robust yields.

A generous commercial REIT

True North Commercial REIT (TSX:TNT.UN) has a market cap of about $652 million right now, which puts it near the lower end of the small-cap companies. The REIT has a commercial portfolio of 46 properties, 13 of which are in the GTA. One of the most promising strengths of the REIT is its tenant portfolio, about three-fourths of which is government entities and credit-rated companies.

This offers stability when it comes to rental income, which is then passed on to investors in the form of dividends. The REIT boasts a quite impressive occupancy rate of 96%.

It's currently offering a mouthwatering yield of about 8.1%, and though the payout ratio is now well over 100%, it has maintained its dividends with worse payout ratios. At this yield, the REIT can offer you about $100 a month in dividends with just $15,000 invested.

A mortgage company

While the banks dominate the mortgage market, primarily residential, there are many players like **Timbercreek Financial**

(TSX:TF) that control sizeable pieces of the market. This $805 million market-cap company has a portfolio of about $1.1 billion. Though the difference between the market capitalization of the company and the size of the portfolio it controls is unimpressively low, it offers relative stability.

The loan portfolio is made up of 117 mortgages, almost all of them in urban markets and about half in multifamily residential properties, which are a very stable asset class.

The company is currently offering a juicy 7% yield. The payout ratio is currently 150%, which is the highest in the last decade. Still, it maintained its payouts through some very harsh markets, and it's unlikely to continue now unless its financials start deviating drastically from the norm.

Foolish takeaway

The two dividend stocks represent stable companies with relatively healthy financials. The market values of the two companies have adequately recovered from the pandemic's devastating impact, and the yields they are offering are certainly in the top tier among all the dividend payers currently trading on the TSX.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TF (Timbercreek Financial Corporation)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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