3 Dividend Stocks That Might Keep Pace With 7.7% Inflation

Description

The Canadian economy survived the impact of the COVID-19 pandemic, but the challenge to combat an out-of-control inflation seems more daunting. Because of the jump in inflation rate last month to 7.7%, a supersized rate hike by the Bank of Canada on July 13, 2022, is almost a done deal.

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Today, the policymakers are in catch up mode and economists predict that aggressive hikes could lead into recession. Meanwhile, many investors have shifted their focus on dividend-paying companies. They can provide steady cash flows to minimize the impact of rising inflation on purchasing power.

If you're chasing after higher-than-average dividend income, three Canadian stocks stand out. The dividend yields of **Chemtrade Logistics Income Fund** (TSX:CHE.UN), **Diversified Royalty** (TSX:DIV), and **True North Commercial** (TSX:TNT.UN) are higher than the current inflation rate.

Improving end-market demand and pricing

Chemtrade provides industrial chemicals and services in North America and globally. The $803.56 million company is also one of the continent's largest suppliers of sulphuric acid. Its allied businesses include industrial services, such as processing by-products and waste streams.

At $7.68 per share, the trailing one-year price return is 20.45%, while the year-to-date gain is 7.16%. Current investors partake of the 7.81% dividend. More importantly, management reported a massive turnaround in Q1 2022. In the three months ended March 31, 2022, net earnings reached $10.68 million compared to the $20.44 million net loss in Q1 2021.

According to its president and CEO Scott Rook, the significant improvement in the financial results relative to last year was due to the improvements in end-market demand and pricing for many of Chemtrade's key products. Rook also said that despite the heightened volatility and uncertainty, management sees 2022 as a strong year for growth.

Recovering royalty partners

Diversified Royalty is the cheapest dividend beast on the TSX. The stock trades at only $2.60 per share, but pays a juicy 8.46% dividend. A $20,000 investment will produce $1,692 ($141 per month) in passive income. This $322.58 million multi-royalty corporation collect royalties from six royalty partners.

In Q1 2022, Mr. Lube, AIR MILES, Sutton, Mr. Mikes, Nurse Next Door, and Oxford Learning Centre combined to contribute $10.99 million in revenues. The result was a 51% year-over-year increase in net income. Diversified's president and CEO Sean Morrison said businesses of the royalty partners are returning to pre-pandemic sales levels.

Strong tenant base

True North Commercial is a pure dividend play for its generous 9.40% dividend yield ($6.37 per share). This $1.13 real estate investment trust (REIT) owns and operates 46 commercial properties. It boasts an impressive tenant profile that includes the federal government of Canada and credit-rated companies.

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In Q1 2022, management reported high occupancy (96%) and rent collection (99.5%) rates. Its president and CFO Tracy Sherren said, "We were encouraged by the increased leasing momentum in the quarter." He expects the trend to continue, as tenants implement their return to office plans.

Understand the risks

The dividend stocks in focus are steady performers thus far in 2022. While the dividend yields can keep pace with inflation, you must understand the inherent risks in relation to the current headwinds. No one can tell whether their positive business outlooks will hold during a recession.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:DIV (Diversified Royalty Corp.)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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