Got $500? Buy 2 Cheap (Under-$20) Dividend Stocks With +5% Yields

Description

The central bank's aggressive move to control inflation through interest rate hikes has weighed heavily on the stock market. In addition, economic uncertainty further remained a drag. While a high-interest rate environment and macro weakness are bad news for equity investors, one can still earn a steady income through dividend stocks.

Thanks to the pullback, several top dividend stocks are trading cheap while their yields have gone up. This decline presents investors with an opportunity to capitalize on the rising yield. So, if you can spare $500, here are two top TSX stocks that are trading under $20 that offer reliable dividend yields of more than 5%.

Algonquin Power & Utilities

Amid the uncertainty, it's prudent to turn to low-risk utility companies for steady income. Utility companies generate predictable cash flows due to their rate-regulated assets and long-term agreements. Further, their conservative business mix keeps them relatively immune to wild market swings. While the utility sector has several top names that pay a solid dividend, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) stock attracts the most at current levels.

Algonquin stock has a dividend-growth history of 12 years. Further, its dividend has a CAGR (compound annual growth rate) of 10%. Its solid dividend growth is supported by its rate-regulated assets and long-term contractual arrangements, which drive its revenues at a healthy pace. For instance, Algonquin Power's earnings have grown at a CAGR of approximately 11% in the past five years.

Through its robust capital program, the company expects to grow its rate base at a CAGR of more than 14% over the next five years. This will expand its earnings and support higher dividend payments. It's worth mentioning that Algonquin Power expects its earnings to increase by 7-9% in the next five years, which implies that its dividend could grow by at least a mid-single-digit rate during the same period. Further, given the pullback in its stock, investors can earn a high yield of 5.7% by investing in it at current levels.

Overall, Algonquin Power is a relatively safe stock to invest in amid volatility. Its payouts are well protected by its solid asset base.

NorthWest Healthcare Properties REIT

REITs (real estate investment trusts) are solid investment options for investors to make steady income amid volatility. Investors can earn attractive yields amid challenges thanks to their high payout ratio. With REITs, investors could consider adding **NorthWest Healthcare Properties REIT** (TSX:NWH.UN) to their portfolios.

The first important point that investors should consider amid the current market scenario is the durability of a company's payout. Notably, NorthWest Healthcare owns a defensive real estate portfolio with top-class tenants, implying that its payouts are sustainable in the long term.

NorthWest Healthcare has a geographically diversified portfolio of healthcare-focused assets with high occupancy. For instance, nearly 80% of its tenants are backed by government funding. Meanwhile, its occupancy rate stands over 97%.

Besides its high-quality asset base, NorthWest Healthcare benefits from its long lease expiry term. Investors should note that its leases have a weighted average lease expiry term of over 14 years. Meanwhile, about 82% of its rents have protection against inflation.

Overall, its defensive portfolio, strong development pipeline, and high yield of 7.6% make it an attractive bet for regular income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date
2025/08/23
Date Created
2022/10/01
Author
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