3 Unfairly Overlooked Dividend Stocks (and Where to Find More)

Description

Even though the beta is a reliable indicator of a stock's volatility compared to the market, different investors have different notions about the stability of a stock. Some tie it to the underlying business model or industry, while others focus on the market cap.

Even though many investors stay clear of small-cap stocks, especially when it comes to dividend investing, there are plenty of good options in that pool. Even the bottom half of small caps, where stocks have a market value under a billion dollars, have plenty of promising options to offer. These stocks are often overlooked, but there are at least three you should consider looking into.

A REIT

With a market capitalization of just $576 million, **Nexus Industrial REIT** (TSX:NXR.UN) sits quite close to the lower end of the small-cap pool.

This small real estate investment trust (REIT) has a portfolio of about 106 properties across Canada, with the highest concentration in Alberta and Quebec. Contrary to the name suggests, the portfolio also includes office and retail properties, but almost 85% of the net operating income (NOI) comes from industrial properties.

The stock experienced decent growth after the 2020 crash — over 130% in less than one-and-a-half years. It went through a correction afterward, and it's still trading at a 26% discount from the peak. It's also undervalued, trading at a price-to-earnings ratio of just 4.1.

An even better side of the discount is the yield at 6.5%. And if you are worried about the financials behind the dividends of this small-cap REIT, its payout history may set you at ease.

The ratio has been steadily going down since 2016 and is currently at an all-time low of 22%, endorsing the stability of the payouts.

A sugar producer

Rogers Sugar (TSX:RSI) is *the* sugar producer in Canada and the global leader in maple syrup, making it a leader in two complementary domains. It's also a small-cap stock with a market value of just $594 million. As a leader in the local sugar industry, Rogers is a relatively safe bet from a business model perspective.

It's also a steady dividend payer that has sustained its dividends for quite some time and through financial crises like the pandemic. It's offering a juicy 6.5% yield sustained by a payout ratio of about 83.7%. The company has a steady business in Canada, and some of its products are household names and have a relatively loyal consumer base.

A mortgage company

Another reliable dividend stock that's even deeper in the "under one billion market-cap" category is **MCAN Mortgage** (TSX:MKP). It has a market capitalization of just $474 million and is currently modestly discounted and undervalued. It's trading at a 17% discount from its 12-month high and the price-to-earnings ratio is currently at 9.54.

Even though the stock has shown decent capital-appreciation potential in healthy markets, which makes it different from most other mortgage stocks, the primary reason to consider it is still the dividends. The current dividend yield is a mouth-watering number of 9.66%, and part of the reason behind this incredibly healthy yield is the special dividends the company issues to its investors.

Foolish takeaway

All three dividend stocks have a reasonably healthy payout ratio, relatively stable business models, and amazing yields. Not considering them for your dividend portfolio just because of their market capitalization might not be a smart thing to do.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:NXR.UN (Nexus Real Estate Investment Trust)
3. TSX:RSI (Rogers Sugar Inc.)

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