Can You Trust These 4 High-Yield Stocks?

Description

Want to turn a $10,000 investment into an annual income stream of over $1,200?

Don't we all.

Truth be told, the only stocks that will achieve seriously lofty yields are the ones mired in uncertainty. Want to scoop up shares while smart-money institutional investors and asset managers dump them? I certainly don't.

Let's take a look at four stocks with big dividends — and seemingly little else going for them.

OK, boomer – the long-term care fad

Shifting demographics have driven some retail investors toward stocks in nursing homes and the like. There appears to be some sort of delusion that the aforementioned trends aren't well-known pieces of information to the market at large.

Taking a look at **Sienna Senior Living Inc.** (TSX:SIA), buyers must be sold on the old folks because the company's distribution looks like a lousy reason to put your money in this stock.

At nearly 200 times earnings, Sienna is pricey. Further, the company trades at around twice book value and has a sky-high payout ratio while yielding about 5%.

Forget the aging-population story: just look at the numbers. If you want to gamble on stock-picking ideas and speculate on the future, then you would do just as well to load up on a Silicon Valley disruptor.

Risk-on REIT

Who wants to pay over 100 times earnings for a nearly 9% yield? Not me, thanks.

Slate Retail REIT (TSX:SRT.UN) makes me cringe with its combination of weak earnings and a monster payout. How can this company look at their books and justify dividend increases? It truly boggles the mind.

Most disturbing is Slate's capital recycling program, which has actively driven down net asset value per unit. The REIT's dispositions have made the trust worth less, not more.

If you bought Slate shares in 2015, then they would be worth the same today as they were then; this is not an index-beating stock. Simply put, chasing this yield probably won't give you the long-term results that you're after.

Keep your stay as short as possible

It's deja vu all over again: Buying a stock at more than 300 times earnings with a 12% yield sounds good, right? Well, not so much.

American Hotel Income Properties REIT LP (TSX:HOT.UN) is by no means a low-risk investment, with a distribution that creeps lower over the years, a share count that grows ever larger, and earnings with no clear direction.

Want to buy some units and use the dividends to pay your utility bill? Consider burning small-denomination bills for heat — maybe you'll even get a blue flame from a $5 note! Now that's HOT (.UN)!

Awful jokes aside, this stock has performed poorly in the past and there's no obvious turnaround in sight. Big monthly distributions don't make this very narrowly profitable company appealing.

Superior, eh?

With a yield of nearly 6% and earnings per share that amount to around a couple of months worth of distributions, **Superior Plus Corp.** (TSX:SPB) isn't a winner in my eyes.

Energy and chemicals haven't been the place to be for the last while, and the company's stock currently changes hands at roughly the same price as that of 2010. Notably, today's shareholders collect a dividend of less than half of what it was at the beginning of the decade.

Could you do worse than invest in Superior Plus? Of course you could. But don't be expecting outsized returns or a growing payout in the near future.

This year's results seem comparable to those in 2012, when the company's shares traded in much the same range as they do presently.

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TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)
2. TSX:SGR.UN (Slate Retail REIT)
3. TSX:SIA (Sienna Senior Living Inc.)
4. TSX:SPB (Superior Plus Corp.)

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