

A diversified 6% dividend yield portfolio is still possible in these uncertain times

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Those of a certain vintage remember when interest rates were truly high. Today doesn't hold a torch to the late 1970s through to the start of the 1990s. Double digits were pretty standard and in the early 1980's if you didn't have the best credit rating you could easily have a mortgage or a car loan with an interest rate that was over 20%. My first mortgage was a steal of a deal relative to that at a mere 11%. Of course the flip side was that GIC's and other fixed income rates were also hard to imagine in today's reality. One of my first investments was a strip coupon bond with a yield of 9%. If only the maturity on that bond was 2026, I'd be an investing hero. But it wasn't and I'm not, so where am I going with this?

Since the turn of the century, 5% has been considered a pretty good investment return if you could get it. Obviously the safer or lower risk the investment the better, but for two decades now we've been beggars not choosers. A 6% annual return is considered pretty good by today's investing standards and typically you have to reach into some riskier places to try and achieve that kind of return year after year after year. However, the market sell off over most of 2022 and in particular June and September have created the opportunity to put together a diversified 5-10 stock portfolio whereby all the holdings currently yield over 6% dividends, are reasonably blue chip stocks and should see those dividends be somewhat sustainable or

potentially even grow over time. And this is a straight forward, buy and hold type of exercise. I'm not talking about enhancing yields with options or any other voodoo magic. Every once in a while the market serves you up an opportunity and you can decide if you are willing to embrace that opportunity. I'm not an investment advisor and this isn't investment advice; it's more of a thought exercise. Let's dive into this idea and you can decide if your definition of blue chip or low risk is similar to mine.

In Canada we hold our big 5 banks in fairly high regard. They survived the Great Financial Crisis (2008) as some of the best performing banks in the world. So it should come as no shock that the first equity I'm looking at is one of those five – Bank of Nova Scotia (TSX: BNS | NYSE: BNS). The Bank of Nova Scotia, is a Canadian multinational banking and financial services company headquartered in Toronto, Ontario. It is the third largest Canadian bank by deposits and market capitalization (C\$79 billion). As of Monday's close of C\$65.58, BNS was yielding 6.28% with its quarterly dividend of C\$1.03.

Next up we have another industry giant but this time in the energy infrastructure business. Enbridge Inc. (TSX: ENB | NYSE: ENB) owns and operates pipelines throughout Canada and the United States, transporting crude oil, natural gas, and natural gas liquids. Enbridge's pipeline system is the longest in North America. The market cap of Enbridge at the beginning of the week's close (C\$52.49) was C\$106 billion and its yield was 6.55% based on its quarterly dividend of C\$0.86. If you prefer natural gas exposure to the more "oily" Enbridge or you simply aren't a fan of Enbridge, another example in the sector is TC Energy Corp (TSX: TRP | NYSE: TRP) another major North American energy company that develops and operates energy infrastructure in Canada, the United States, and Mexico. This C\$57 billion market cap company closed Monday at C\$57.84, giving it a yield of 6.22%

based on its quarterly dividend of C\$0.90.

Switching gears to another borderline monopoly business segment in Canada, the telecom sector, we find the biggest of the 4 titans (possibly soon to be three) with BCE Inc. (TSX: BCE | NYSE: BCE). BCE is a Canadian holding company for Bell Canada, which includes telecommunications providers and various mass media assets under its subsidiary Bell Media Inc. Despite being up 3.7% on the day Monday to C\$60.06, this C\$55 billion market cap company has a 6.13% yield based on its C\$0.92 quarterly dividend.

When it comes to sustainable dividends it seems the utility sector is the poster child. Accordingly, this is the next sector to look at to help diversify holdings in the search for all those juicy dividends. There are a couple of options in this category to review. The first is Algonquin Power & Utilities Corp. (TSX: AQN | NYSE: AQN) a Canadian renewable energy and regulated utility conglomerate with assets across North America. The only shortcoming of the utility names is that they are a little on the small side with Algonquin presently sitting at a C\$10.6 billion market cap but also trading at its 2 year low, which may have some appeal to investors. At C\$15.59, Algonquin is yielding 6.31% with its C\$0.25 quarterly dividend. An alternative name is TransAlta Renewables Inc. (TSX: RNW), another renewable energy company trading near its 2 year low at C\$14.95. Even smaller at C\$4 billion market cap, this may not be blue chip or low risk enough for some people's liking but it is yielding 6.29% with its C\$0.07833 monthly dividend.

These next possibilities may be seen as not being much diversification from companies like the Bank of Nova Scotia. The first is Power Corporation of Canada (TSX: POW) which is a management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings

are insurance, retirement, wealth management and investment management, including a portfolio of alternative investment platforms. This C\$19.6 billion market cap company sports a 6.2% yield based on a C\$0.49 quarterly dividend and Monday's C\$31.93 closing price. If you want a more pure play on insurance without the investment management there are Power Corp's subsidiaries Great-West Lifeco, Inc. (TSX: GW0), a Canadian insurance-centered financial holding company that operates in North America, Europe and Asia. At C\$30.46 GW0 yields 6.43% with its C\$0.49 quarterly dividend. The third option just squeaks into this article at exactly a 6% yield based on its close Monday of C\$22.00 and C\$0.33 quarterly dividend. That company is Manulife Financial Corp (TSX: MFC | NYSE: MFC), a C\$41.8 billion market cap multinational insurance and financial services company operating in Canada, Asia and in the United States primarily through its John Hancock Financial division

Then there are all the REITs in Canada, of which at least half a dozen trade with 6+% yields. I'm only going to provide two as examples so we aren't here all day but there are plenty more to choose from. Chartwell Retirement Residences (TSX: CSH.un) is the largest provider of seniors' housing in Canada, with over 200 locations offering independent living, independent supportive living, assisted living, memory care, and long-term care facilities. Dream Industrial REIT (TSX: DIR.un) is the owner and operator of a diversified portfolio of high-quality industrial real estate in Canada, the U.S. and Europe. Again, both are smaller cap companies and are trading close to 2 year lows, which may or may not be appealing. The stats are a 6.49% yield for Chartwell (C\$2.2 billion market Cap) with its C\$0.051 per month dividend closing at C\$9.43 Monday, while Dream Industrial sports a 6.39% yield, a C\$2.8 billion market cap and monthly dividend of C\$0.5833.

And there you have it, a few examples of how a small portfolio

of high dividend yield companies is possible with as much or as little risk or diversification as an investor might be comfortable with. No matter how funds might have been allocated to any or all of the names above, it would have fetched a dividend yield of over 6% based on Monday's close. With that said, with a little looking there are plenty of other investment options available that are yielding north of 6%, plus a bunch more between 5% and 6%, so if yield is an important part of a portfolio, now might be a good time to review what could potentially be upgraded to lower risk names with a higher likelihood of sustaining or even growing those lovely dividends.

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