Dividend Secrets:

Three Income Stocks Every Smart Investor Should Own for Massive Yields



Dividend Secrets:

Three Income Stocks Every Smart Investor Should Own for Massive Yields

By Robert Rapier

When you live off the income generated by your investments, your dividends need to be reliable.

Most investors tend to discount the importance of dividends since they seem like small potatoes. But in fact, they account more than half of the long-term return of the stock market. That's because most companies continue to pay dividends during good times and bad.

If you reinvest dividends into more shares of stock, you buy more shares when they are cheaper and fewer when they are more expensive. Over time, the compounding effect of reinvesting dividends can be enormous.

The key to success that most people miss is this: look to invest in businesses providing services that people refuse to go without.

When you buy into businesses getting constant revenue from services that people insist on buying no matter what, it's hard to lose. At the office, we call them "essential-service" stocks.

They provide water, electricity and other must-have services... the necessities of modern life that absolutely no one wants to do without. Because these companies enjoy the extreme advantage of constant demand, they're extremely lucrative over the long run. Since the market topped out in early 2000, utilities have posted a 1,342% gain, towering above the S&P 500's 178%. And they are extremely reliable gainers.

The main reason for my near perfect "batting average" is because we focus on old-school regulated utilities… the basic electric, water and gas utility stocks that our grandfathers owned. These are the few investments anywhere whose profits are mandated by law. Only essential-service stocks offer you all this…

1. Fat dividends— That usually increase faster than inflation every year, so your nest egg is always a step ahead of that silent wealth-killer. These are the best income stocks you can own, bar none.

2. Superb total return— Few investors realize it, but with their high dividends and steadily rising prices, these overlooked stocks have beaten the S&P 500 by 1,164 percentage points since the year 2000. Tell that to anyone who says utilities are stodgy stocks for widows and orphans.

3. Predictable stress-free gains— You'll make your money at a steady pace with much less volatility. As a group, these stocks are 76% less volatile than regular stocks.

4. Peace of mind— You can buy a handful of these Steady Eddies and lock them away for years.

5. Bear-market insurance— Utilities and other essential-service stocks are the most recession-proof stocks you can buy, bar none.

6. Solid value— These stocks give you earnings on the cheap. Buy into the S&P 500 and you'll pay $21 for every dollar of earnings. That's a P/E ratio of 21. But plenty of essential-service stocks are trading at single-dig-it P/Es… giving you a dollar of earnings for just $7 or $8.

7. Retirement security— The vast majority of these constant-cash-generators will mail you bigger and bigger checks forever. And these checks grow about twice as fast as Social Security's meager "COLA" bumps.

Three Income Stocks Every Investor Should Own

The world is moving in the direction of cleaner energy. Over the past decade, wind and solar power have together increased capacity by over an order of magnitude. In some states renewables now make up more than 10% of the overall power produced.

The rapid rise of renewables has helped send the coal industry on a long march to extinction, but it has also been a boon for investors that foresaw this shift. But don't fret, it's going to be a long transition. Today I want to talk about three income-producing companies that have benefited greatly from this shift and are poised to excel for years to come.

Dividend Star #1: Brookfield Energy Partners

When investors think of master limited partnerships (MLPs), they generally picture oil and gas pipeline companies. Indeed, most of the MLP universe consists of these types of companies.

Brookfield Renewable Partners (NYSE: BEP) is one of the exceptions to that rule.

BEP is a renewable energy MLP. Despite the MLP downturn over the past year, BEP has consistently been on my list of favorite companies.

BEP is one of the largest renewable power producers in the world, with generation facilities in North America, South America, Europe, and Asia. Its portfolio consists of 882 generating facilities with 18.9 giga-watts of capacity.

Since 1999, the company has racked up an astounding total average annual return of 16%, more than double the annual return of the S&P 500.

BEP's outstanding performance has been fueled by the global explosion of renewable power that has been going on now for more than a decade. That explosion is being driven by carbon reduction targets and declining cost curves for renewables. These trends have allowed BEP to develop major projects in five different sectors: hydropower, wind power, solar power, distributed generation, and storage.

Over the past five years, BEP's revenue and EBITDA have increased at an average annual rate of more than 11%. Earnings over the next three years are forecast to grow at an average annual rate of 13.8%.

BEP currently yields 4.8%, and is targeting long-term annualized total returns of 12% – 15% and annual distribution increases of 5 – 9% from organic cash flow growth and project development.

Dividend Star #2: Enviva Partners

Enviva Partners, LP is another unconventional MLP, as well as the world's largest manufacturer of wood pellets. Enviva was founded in 2004 to develop a cleaner energy alternative to fossil fuels. The company want-ed to offer electric utilities a fuel to replace coal, enabling them to generate power without interruption while

reducing their greenhouse gas emissions.

Today, the company operates seven wood pellet plants in the southeastern United States.

The wood pellet business is booming, in particular the export trade from the U.S. to Europe. The main demand driver in Europe is the European Commission's 2020 climate and energy plan, which seeks to reduce greenhouse gas emissions. Member states have national renewable energy targets, which some countries are meeting by using wood pellets to produce electricity.

The U.S. is the world's largest producer of wood pellets. The sourcing of U.S. wood pellet exports has been concentrated in southeastern states because of abundant commercial forests and relatively low shipping costs to Europe. Rising demand and ample supplies have spurred a flurry of new projects in the region.

To say that business is booming would be an understatement. Enviva is fully contracted through 2025, with a backlog of $9.5 billion. The weighted average on the company's current contracts is 10.4 years. Industrial wood pellet demand in Europe has doubled since 2012, and is forecast to grow at a compound annual growth rate (CAGR) of 13% through 2023.

Since its IPO, Enviva's distribution has grown at a CAGR of 12.1%, and has a 22.8% annualized total return. It presently yields 7.8%.

Dividend Star #3: NextEra

As the world has moved to cleaner electricity, no company has navigated this transition better than NextEra (NYSE: NEE). In fact, in doing so it has become the largest electric utility in the U.S.

The company has used the stable cash flows from its regulated Florida power utility (70% of revenue) to help finance its investments in renewables (30% of revenue). In doing to, NextEra has become the largest producer of wind and solar power in the world.

Its renewables unit, NextEra Energy Resources, is primarily oriented toward wind power (58% of this unit's fuel mix) and is the largest generator of wind power in North America. It has smaller contributions from gas-fired generation (20%), nuclear (14%) and solar (4%).

NextEra's renewables unit typically sells power under long-term contracts, so there is greater operational risk for this segment than for its regulated utility. But so far it's performed well, and the firm is certainly the most forward-thinking operator in the regulated utility space.

Investors have rewarded NextEra's move into cleaner energy. Over the past three years, the company has delivered a total return (share price appreciation plus dividends) to its shareholders of 110%, its share price has demonstrated minimal volatility. That's more than double the 50% gain in the SPDR S&P 500 ETF (SPY) over the same period of time.

Although NextEra's dividend yield is only slightly higher than the SPY's (2.1% versus 1.8%), the company raised its dividend by 15% during the past year and is likely to raise it again. In fact, NextEra is projecting a 12% – 15% average annual growth rate in the amount of its distribution over the next five years.

NextEra's dividend is considered as safe as an investment-grade bond, yet it is growing its renewable energy business at a rate that rivals a tech stock. We don't see that changing anytime soon.

The Incredible Dividend Map
Where Stocks Yield 67% a Year

What's the highest-yielding stock you've ever owned?

Did it pay you 8%… 10%… maybe even 12%?

Well, the stocks on my new "Dividend Map" blow those numbers out of the water.

Their dividends have risen so fast over the years that they're now yielding 67% for us… and they pay us in cash.

Of course, that's an average. Some come in higher and others lower, but overall, that's what we're getting.

These unique companies are concentrated in large population centers.

They're almost always monopolies… selling a product that 152 million customers are virtually addicted to.

And the kicker is, they are mandated by law to make a profit. (The Supreme Court ruled on it back in 1865.)

No other class of stocks enjoys this favorable legal status.

This makes them the **safest equities in America**. Not a single company in this entire industry has ever gone out of business—*ever*.

And one last thing: *the dividend yields are massive*. Especially when you hold onto them for a while.

I have 37 of these cash cows in my portfolio right now… and for every dollar invested in them they are sending us 67 cents in dividends…

That's an effective yield of 67% a year—*every* year.

This comprehensive list of **dividend cash cows** is only available to select investors. **Please click here** right now for more details on how you can get your hands on this incredible list… and start receiving **huge dividend checks** as soon as possible.

IMPORTANT NOTES:

Guidance concerning the stocks highlighted in this report is believed to be accurate and represent our best advice at the time of writing. However, market conditions change constantly and guidance at the time of this writing may not reflect our latest advice. For our current take on any stock in this report, it is vitally important that you check the Portfolio tables on the website and confirm that the stock still earns a buy rating. Furthermore, confirm that the stock trades below our current buy limit. Do not buy any stocks above our recommended buy limits. If a stock's price exceeds our buy limit, wait for a pullback or invest in another Portfolio holding that trades below our buy limit. Any advice in the Portfolio tables, a recent issue of the publication, or our email alerts always trumps older advice in this special report. We reserve the right to substitute special reports as market trends dictate.

Published by Investing Daily, a division of Capitol Information Group, Inc., 7600A Leesburg Pike, West Bldg., Suite 300, Falls Church, VA 22043. Customer Service: 800-832-2330. It is a violation of the United States copyright laws for any person or entity to reproduce, copy or use this document, in part or in whole, without the express permission of the publisher. All rights are expressly reserved. ©2019 Investing Daily, a division of Capitol Information Group, Inc. Printed in the United States of America.

UDS1119