



Carla Pasternak's

Dividend Opportunities

STREETAUTHORITY

About Us

DividendOpportunities.com

Issue Archives

Premium Content

Research Reports

Subscribe

Wednesday, November 26, 2008



[Printer-Friendly](#) | [PDF Version](#) | [Whitelist Us](#) | [Trouble viewing images?](#)

The "Oddball" Security From Canada Showering Investors with 18% Yields

-- By Carla Pasternak

It was greeted as "an oddball security from Canada" when it debuted in December 2003. But investors should be warming up to this special type of security in difficult times. After all, they pay more than four times the average yield delivered by the S&P 500 Index -- while offering the safety of a bond with the upside of an equity. (*Full Story Below*)

Also in Today's Issue...

Double-Digit Income and Returns up to +62.3%

Carla Pasternak's *High-Yield Investing* subscribers are having their cake and eating it to. Over the last few months they have been treated to returns of up to 62.3%... all while raking in dividends of 10% and more! It's not too late to join in. Carla's picks are still paying up to 19.6% over the next 12 months.

[Go here to get these double-digit yielders now.](#)

You Could Get +278.5% Income with These Free Tips

StreetAuthority editor Amy Calistri is so full of ideas, we've just added another way for her to share them with you: "Amy's Notes." Her recent note covers a stock that could give you +278.5% more income. Get this pick free and make sure you don't miss out on any others.

[Click here to get this pick now.](#)

Income Notes

All this [economic turmoil] ought to be the point of maximum pessimism where contrarian investors start buying. And, indeed it is possible to sense value in areas such as corporate bonds and equities. Banks may be about to eliminate their dividends so the overall market-yield may be an unreliable indicator. But British non-financial stocks yield nearly 4.9% compared with the 4.1% on ten-year gilts; this is unprecedented over the past 50 years.

-- *The Economist*

Treasuries fell as traders prepared for a \$36 billion auction of two-year notes amid speculation a bailout of U.S. banks will force President-elect Barack Obama to spend more than previously estimated to boost the economy. The drop pushed the two-year yield to the highest level in three days as Citigroup received a bailout.

"We've got some very expensive yield levels now," said David Keeble at Calyon, the investment-banking unit of France's Credit Agricole. "I don't see this rally continuing as I'm not convinced the U.S. economy is going to sink into a black hole."

The "Oddball" Security From Canada Showering Investors with 18% Yields

It was greeted as "an oddball security from Canada" when it debuted in December 2003.

Wall Street pundit Richard Steinberg compared this new security to "the roach motel where you check in, but you can't check out." Steinberg thought investors wouldn't be able to easily trade this new type of security since it was so different, and people at the time were still favoring growth over yield.

Fortunately, not all portfolio managers sang the same tune.

Bill Shrier of CIBC World Markets, the firm that helped launch the very first of these unusual securities, predicted their yield would "beat the pants off" of just about any other investment.

I'm speaking about one of the newest (and most lucrative) asset classes to hit Wall Street in recent years -- enhanced income securities (EIS). The name might not sound very glamorous, but who cares when they offer juicy yields of 18%?

The Perfect Successor to the Dying Canadian Trust

-- Bloomberg

EIS's are really Canadian income trusts in disguise, efficiently distributing a company's cash flows to shareholders. Canadian investment banks designed them specifically for U.S. companies seeking an income trust structure better suited to American tax laws.

As you may know, Canadian trusts have been a staple of many income investors' portfolios for years. But in just two years we can kiss our favorite trusts goodbye. Thanks to the Canadian government's decision to tax them like corporations starting in 2011, their double-digit yields will become a thing of the past.

Not to worry. Enhanced income securities can fill up the slack -- they're as close to Canadian trusts as hot chocolate is to cocoa, but they likely won't face the same onerous tax penalties in the coming years.

A Peculiar Stock/Bond Hybrid

What makes income deposit securities so unique is that they are comprised of one share of common stock and one high-yield bond. In other words, about half of the yield comes from common share dividends that can grow with the company's cash flow. The rest comes from a high-yield bond that pays you virtually guaranteed income.

Bill Shrier and others argued that if enhanced income securities delivered yields of around 10%, then this would be sufficient to overcome the skepticism that typically greets a new security.

He was right.

It has taken a few years, but enhanced income securities are starting to receive some much-deserved attention from investors. And for good reason -- many pay more than DOUBLE the average yield on an "A"-rated bond, and more than four times the average yield delivered by the S&P 500 Index.

As you can see, the yields associated with these securities are nothing short of phenomenal. . .

| Company Details | Dividend Yield |
|--------------------------|----------------|
| Power generation corp. | 14.7% |
| Packaged foods maker | 14.8% |
| Hospital owner | 17.4% |
| Bus manufacturer | 17.0% |
| Telecom company | 18.0% |
| Recycling plant provider | 32.1% |
| Transportation company | 13.9% |

Please Note: If you're already a paid subscriber to Carla Pasternak's premium newsletter -- *High-Yield Investing* -- then [click here](#) to learn the names and ticker symbols of these securities.

The Best of Both Worlds . . . High Yields with Low Risk

While many high-yield securities carry equally high risks, EIS's are special because their rich yields are buoyed by the bond portion of the security. And for me, this is of paramount importance. After all, it's not often investors can count on enjoying high yields from investment-grade bonds while also having the upside of an equity. That's why I seek out securities like EIS's that offer income investors like us the highest potential reward with relatively low risk.

One Stock a Month is All You'll Ever Need

For the entire 2009 calendar year 100% of Amy Calistri's *Stock of the Month* picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

[Click here to get her latest pick.](#)

Recent Articles

[Warren Buffett is Buying Preferreds with Double-Digit Yields... Why Aren't You?](#)

By Amy Calistri
October 8, 2008

Legendary investor Warren Buffett has been on a buying spree. Buffett poured \$8 billion into new investments over the last few weeks alone.

But Buffett isn't just buying anything. While the vast majority of Berkshire Hathaway's portfolio is made up of common stocks, almost all of his recent purchases have been preferred stocks with double-digit yields.

[Read On...](#)

[The Special Asset Class Legally Obligated to Pay Yields of 10%... And Even Higher](#)

By Andy Obermueller
November 12, 2008

In order for a firm to issue an EIS, it must generate a steady stream of regular annual cash flows. After all, income deposit securities are expected to pay both regular interest on a bond and steady dividends. As a result, those companies with unpredictable earnings and poor cash flows need not apply. Since cash flows must be stable, only steady companies in solid, predictable industries issue the securities.

These companies run the gamut from school buses and hospitals to funeral homes and recycling plants. Whatever their focus, all of them are in recession-proof businesses that throw off piles of free cash flow, even in a slowing economy. And they all pass along the lion's share of that cash flow to investors by paying abnormally high dividends.

A Closer Look at My Favorite EIS's

The long-term picture for EIS's looks bright, especially in today's volatile market environment. The U.S. economy has ground to a halt, and many investors are looking for a stable place to invest while the current market turmoil ravishes portfolios here and abroad. This spells high times for income deposit securities.

Because only a handful of companies have issued EIS's in the U.S., this unusual asset class has been largely overlooked. But I first called attention to these high-yield gems over a year ago in the pages of my premium newsletter - [High-Yield Investing](#). In fact, I liked them so much so that I added three of these securities to my model income portfolios.

For example, the packaged food supplier I highlighted in the table above has been a top performer, delivering a 14.8% yield and beating the S&P 500 by 30 percentage points over the last three years. And going forward, this remains one of my favorite EIS's for today's market. I'm also bullish on a stable, well-entrenched bus manufacturer with dividends of 17.0%.

If you want to enjoy a steady stream of worry-free dividends, then you need to learn more about these two securities. That's where my premium newsletter -- [High-Yield Investing](#) -- comes in. It's the only newsletter of its kind devoted exclusively to finding safe, stable investments (like EIS's) with extraordinarily high dividend yields.

In recent issues, I've profiled some of the most attractive dividend payers on the market, including an infrastructure and utilities fund with a 23.6% yield, an equity-linked security paying 9.6%, an MLP paying a 16.5% yield, and a real estate fund with dividends of 11.0%, among many others.

If you'd like to learn the names of these companies -- plus receive a steady stream of stocks, funds, EIS's and other investing ideas with abnormally high dividend yields each and every month -- then I'd like to extend you a personal invitation to try my premium income investing newsletter . . . *High-Yield Investing*. [Visit this link](#) to learn more.

Thanks for joining me on my search for today's highest-yielding securities!



C. Pasternak

-- Carla Pasternak
Co-Editor

Global Dividend Opportunities
GlobalDividends.com

One particular asset class has a long history of rising distributions, double-digit yields and strong outperformance -- thanks to its legal obligation to shower investors with cash. These shares can offer shelter in the storm -- all while generating stellar returns.

[Read On...](#)

We're Finding Stocks Paying \$26,500 a Year in Dividends

Now is a great time to invest. Every dollar we're investing is giving us two, three, four even five times as much income as it did just a year ago -- it's as if a giant "multiply your money" certificate has dropped into our laps.

[Click here to learn more.](#)

Reader Favorites

[Escape the U.S. Financial Turmoil](#)

By Andy Obermueller

[How to Add a Margin of Safety to Your Stock Portfolio in a Tumultuous Market](#)

By Andy Obermueller

839-K Quince Orchard Blvd.
Gaithersburg, MD 20878-1614

P.S. -- Don't miss a single issue! Add our address,
Research@GlobalDividend.com, to your Address Book or Safe List. For
instructions, [go here](#).

[Home](#) | [Issue Archives](#) | [About Us](#) | [Meet the Staff](#) | [Subscribe](#)
[Premium Content](#) | [Research Reports](#) | [Media Coverage](#) | [Testimonials](#)

We sincerely hope that you benefit from your subscription to this newsletter, and we're willing to do whatever it takes to keep you as a satisfied customer. However, if at any time you wish to discontinue your complimentary subscription, you can do so by simply [visiting this link](#) and confirming your request, or by calling (301) 216-2005.

Please note that StreetAuthority, LLC is not a registered investment firm or broker/dealer. Readers are advised that the material contained herein should be used solely for informational purposes. StreetAuthority does not purport to tell or suggest which investment securities members or readers should buy or sell for themselves. Site users should always conduct their own research and due diligence and obtain professional advice before making any investment decision. StreetAuthority will not be liable for any loss or damage caused by a reader's reliance on information obtained in this newsletter or on our web site. Our readers are solely responsible for their own investment decisions.

The information contained herein does not constitute a representation by the publisher or a solicitation for the purchase or sale of securities. Our opinions and analyses are based on sources believed to be reliable and are written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. All information contained in this report should be independently verified with the companies mentioned. The editor and publisher are not responsible for errors or omissions. StreetAuthority receives no compensation of any kind from any companies that may be mentioned in our newsletters or on our web site. Any opinions expressed are subject to change without notice. Owners, employees and writers may hold positions in the securities discussed in this report or on our web site.

**(C) Copyright 2001-2010. StreetAuthority LLC All Rights Reserved.
Unauthorized Reproduction or Distribution is Strictly Prohibited.**