

Top High Dividend Stocks In 2016

by Robert Hauver

Trying to make sense of this market? Join the club - it's been a topsy-turvy ride so far in 2016, with the market getting off to its worst start in history, thanks to the December Fed rate hike, and plunging oil prices.

Then, in early February, oil prices bottomed, and the market started coming back. This chart uses the USO oil ETF as a proxy for oil. It's a pretty good directional correlation between oil and the S&P 500:



(Chart Source: YahooFinance)

Investors have flocked to the Utilities sector in 2016 for its defensive attributes, and also to the Basic Materials sector, in order to profit on extremely beaten down Energy and Basic Materials stocks. Even with their out-sized gains in 2016, these 2 sectors still have the highest dividend yields in the market:

Name	Performance (Year To Date)	Dividend Yield	Performance (Year)	Performance (Month)	Performance (Quarter)
Utilities	12.72%	3.74%	8.31%	1.93%	5.68%
Basic Materials	11.43%	3.91%	-19.85%	-2.30%	17.75%
Industrial Goods	6.19%	2.21%	2.05%	0.04%	10.83%
Consumer Goods	1.51%	2.54%	-1.87%	-1.41%	5.52%
Technology	1.14%	1.84%	2.73%	0.08%	6.90%
Services	-0.02%	1.47%	-3.81%	-1.15%	6.39%
Financial	-0.71%	2.66%	-7.84%	-0.69%	13.13%
Healthcare	-4.15%	1.87%	-9.53%	-1.75%	6.46%

So, after all of that support, how do their valuations stack up vs. other sectors? Basic Materials still has the lowest average Price/Book and Price/Sales, with Utilities near the low end for Price/Book and in the middle for Price/Sales. It's hard to use P/E across the board to compare sectors, though, since so many Energy and Basic Materials stocks use an alternate metric, Price to Distributable Cash Flow to value their earnings.

Healthcare, a former front runner over the past few years, has gotten very little market support, thanks to political and headline pressures. Its P/E is also skewed higher by richly-valued biotech stocks.

Name	P/E	Forward P/E	PEG	P/S	P/B
Utilities	16.57	15.08	2.63	1.71	1.64
Basic Materials	38.26	17.98	2.63	1.04	1.19
Industrial Goods	23.5	16.43	2.26	1.43	3.22
Consumer Goods	18.15	15.38	1.67	1.48	3.59
Technology	23.48	14.09	1.68	2.31	2.9
Services	19.87	16.79	1.41	1.09	3.74
Financial	15.34	14.01	1.85	2.28	1.60
Healthcare	25.09	15.36	2.32	2.28	3.55

Here are the top 10 performing high dividend stocks so far in 2016. We screened for positive earnings, a 5%-plus dividend yield, and positive ROE and ROA. Not surprisingly, there are a few familiar names in this list - DLNG and KNOP, some shipping stocks which we wrote about here last month, and DPM, which we covered in a Seeking Alpha article.

These 3 stocks are also listed in our High Dividend Stocks By Sector Tables, where you can track their prices and current dividend yield.

Here's the glaring paradox about these stocks - even though they're up by big percentages in 2016, they're mostly still down over the past year - DLNG, for example, is up over 52% in 2016, but it's down over -22% over the past year. It shows you how extremely beaten down these stocks were, that this could be possible.

Ticker	Company	Sector	Industry	Market Cap (millions)	Dividend Yield	Performance (YTD)	Performance (Year)
CNNX	CONE Midstream Partners LP	Basic Materials	Oil & Gas Pipelines	\$900.78	6.21%	67.03%	-15.93%
DLNG	Dynagas LNG Partners LP	Services	Shipping	\$479.64	12.34%	52.25%	-22.11%
CORR	CorEnergy Infrastructure Trust, Inc.	Financial	Asset Management	\$267.90	13.37%	51.15%	-28.95%
KNOP	KNOT Offshore Partners LP	Services	Shipping	\$512.86	11.01%	49.44%	-13.70%
DPM	DCP Midstream Partners LP	Basic Materials	Oil & Gas Pipelines	\$3,830.98	9.34%	44.41%	-1.20%
APU	AmeriGas Partners LP	Utilities	Gas Utilities	\$4,141.40	8.39%	36.89%	-0.13%
BSBR	Banco Santander	Financial	Foreign Regional Banks	\$18,510.90	8.60%	36.22%	2.30%
IPHS	Innophos Holdings Inc	Basic Materials	Specialty Chemicals	\$719.83	5.12%	33.35%	-23.64%
OKS	ONEOK Partners, L.P.	Basic Materials	Oil & Gas Pipelines	\$10,522.74	8.32%	32.91%	4.62%
SE	Spectra Energy Corp.	Basic Materials	Oil & Gas Pipelines	\$21,544.91	5.23%	32.82%	-7.25%

Here are the 3 Top Performing Utility High Dividend Stocks for 2016: APU, LNT, and BIP. Interestingly, there each in a separate sub-industry within the Utilities sector.

Ticker	Company	Sector	Industry	Market Cap (\$ millions)	Dividend Yield	Performance (YTD)	Performance (Year)
APU	AmeriGas Partners LP	Utilities	Gas Utilities	\$4,141.40	8.39%	36.89%	-0.13%
LNT	Alliant Energy Corporation	Utilities	Electric Utilities	\$8,225.96	6.46%	18.65%	24.36%
BIP	Brookfield Infrastructure Partners L.P.	Utilities	Diversified Utilities	\$6,909.69	5.36%	14.01%	1.38%

Valuations: BIP has the cheapest Price/Book, but its P/E is high. However, on a Price to Funds From Operations basis, (P/FFO), it looks cheaper, at 11.85x.

Ticker	Price	P/E	Forward P/E	P/Sales	P/Book
APU	\$44.83	19.32	16.27	1.75	3.25
LNT	\$36.39	10.8	18.07	2.57	2.19
BIP	\$42.55	56.28	31.4	3.75	1.69

Top Performing Basic Materials Dividend Stocks: 4 out of 5 are Oil & Gas Pipeline stocks - investors definitely got the news that fee-based pipeline businesses weren't going under anytime soon, even with cheap crude oil sloshing through the system.

Ticker	Company	Industry	Market Cap (\$ millions)	Dividend Yield	Performance (YTD)	Performance (Year)
CNNX	CONE Midstream Partners LP	Oil & Gas Pipelines	\$900.78	6.21%	67.03%	-15.93%
DPM	DCP Midstream Partners LP	Oil & Gas Pipelines	\$3,830.98	9.34%	44.41%	-1.20%
SE	Spectra Energy Corp.	Oil & Gas Pipelines	\$21,544.91	5.23%	32.82%	-7.25%
NS	NuStar Energy L.P.	Oil & Gas Pipelines	\$3,715.32	9.06%	27.37%	-16.37%
SRLP	Sprague Resources LP	Oil & Gas Refining & Marketing	\$509.44	8.97%	23.55%	-5.99%

Valuations: The 4 pipeline stocks have something else in common - take a look at how much lower their forward P/E's are - clearly, analysts see better things ahead for them. NS and SRLP also have options available - we list trades for them and over 30 other stocks in our Covered Calls Table and in our Cash Secured Puts Table. We've also written previously about them on Seeking Alpha.

Ticker	Price	P/E	Forward P/E	P/S	P/B
CNNX	\$15.77	11.48	10.85	4.05	2.81
DPM	\$33.40	35.8	16.22	2.24	1.42
SE	\$30.95	128.96	21.14	4.31	2.91
NS	\$48.32	20.07	19.71	1.92	2.47
SRLP	\$23.75	7.92	7.94	0.2	2.84

CNNX is the winner in this group for margin, while SRLP has the strongest ROE:

Ticker	Return on Assets	Return on Equity	Total Debt/Equity	Operating Margin
CNNX	9.10%	25.60%	0.23	59.70%
DPM	1.90%	3.90%	0.86	7.30%
SE	0.50%	2.30%	2.09	27.70%
NS	3.70%	11.80%	2.11	19.90%
SRLP	6.80%	41.50%	3.00	3.50%

Disclosure: Author owned shares of DLNG, KNOP, and BIP, at the time of this writing.

Disclaimer: This article is intended for informational purposes only, and is not intended as investment advice. Please practice due diligence before investing any of the stocks listed in this article.

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