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Six High-Yield Stocks You've Never Heard Of

By Stockpickr Guest Columnist

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Editor's note: This column was submitted by Stockpickr member Anthony Stapleton.

These are the times that try Stockpickrs' souls -- and their account balances. In difficult times, investors have historically returned to the boring, dull and stodgy favorites that pay dividends.

Individual investors are programmed to focus on gains. Turn to any of your favorite financial television shows and you will notice that the talking heads focus on how much a stock may go up but rarely focus on the downside risk and the dividend yield. This article will highlight several high-yielding dividend-paying stocks that can help provide stability to a portfolio without additional exposure to direct subprime risk.

Why are dividends important?

Dividends are a sign of steady profits and a sound business model. Share buybacks are nice, but dividends are the gift that keeps on giving. Paying a dividend is a sign of a company's commitment to provide additional income to its shareholders.

Generally, when the professionals start recommending dividend stocks they tout the usual stalwarts:

- **Wm. Wrigley** (WWY)
- **Proctor & Gamble** (PG)
- **Coca-Cola** (KO)
- **Emerson Electric** (EMR)
- **Allstate Insurance** (ALL)
- **General Electric** (GE)
- **Koss** (KOSS)

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While all of these may be solid choices, all but one pays a dividend of less than 3%. I want a higher yield and went in search of stocks that pay a dividend of 6% or more and that were not in the finance, banking, mortgage or private-equity industries.

As with any metric, looking only at dividend yield can be misleading. Dividends come from cash and in order to pay those dividends the company must generate earnings. Even more obvious is that as a stock price declines, the dividend yield increases. If the other fundamentals are not solid, buying a stock with a high dividend yield could be a trap.

The following stocks pay dividends with a yield of more than 6% and hold up to fundamental analysis. Some are more speculative than others, and they come from a variety of industries. These stocks feature better returns than you can get in the bond market, offer yields that the LIBOR can't touch and have limited downside risk.

Chances are good that you have never heard of most of these stocks. If you do a Google search on them, you probably won't find them mentioned in more than a handful of articles. Consider them when you look to protect your capital in a potentially stagnant or downside market. But remember: Yields of 6% and higher aren't free. If you want a lifeboat, stick with the stalwarts.

Atlas Pipeline Partners (APL) owns and operates natural gas pipelines, processing plants, treatment facilities and gathering systems. Citigroup recently lowered its estimates for 2008 distributions to $3.80 per unit, the low end of management's guidance.

In July Atlas acquired control of **Anadarko Petroleum's** (APC) natural gas gathering systems and processing plants in Oklahoma and Texas. While there have been integration issues with these newly acquired assets, I believe those risks are balanced by its current valuation. APL recently reported record EBIDTA of $66.4 million and the integration of the newly acquired assets appears to be progressing well.

First Eagle Fund of America, a deep value mutual fund, owns 2.1% of the outstanding shares. Lehman Brothers is the largest institutional owner, holding over 20% of outstanding shares. Atlas Pipeline currently sports a 7.9% dividend yield.

Ferrellgas Partners (FGP) distributes propane and propane accessories throughout the U.S. (Hank Hill would be proud.) The propane industry is a slow and steady one, and customers tend to remain loyal to their distributors. There are low barriers to entry into this retail market and there are many small distributors with small numbers of customers, but Ferrellgas has over 1 million customers, and it services roughly 10% of the retail market.

Business risk is relatively high with FGP because its business is levered to weather and customer consumption. FGP currently yields an attractive 9.1%, but the stock is trading at a relatively expensive 30 times next year's earnings estimates. FGP is found in the portfolios of Yale Capital, Value Line Income and Growth Fund and Rochdale Dividend and Income Portfolio.

Genesis Lease (GLS) acquires and leases commercial passenger and cargo aircraft under long-term contracts to airlines. GLS missed third-quarter earnings estimates by a nickel a share primarily due to increased expenses associated with the purchase of additional aircraft and recruitment of additional staff, but revenue was $300,000 higher than expected. Expected 2007 distribution per share is $2.07. With healthy worldwide air travel and a limited supply of aircraft, leasing by airlines (particularly in emerging markets) is expected to be strong.

Those of you more familiar with the aircraft leasing business may ask why suggest GLS and not **Aircastle** (AYR) or **Babcock & Brown** (FLY) , which have dividend yields of 8.9% and 8.7%, respectively.

FLY is a recent IPO that has yet to pay its dividend, and even though GLS and AYR have almost identical debt/equity ratios, AYR recently completed a secondary offering and more importantly, **General Electric** (GE) owns an 11% stake in GLS. In addition to GE's stake in GLS, Wellington Capital Management holds 14% of the outstanding shares, and American Funds Smallcap World Fund holds 7%.

Southern Copper (PCU) mines, smelts and produces copper. Copper is needed as infrastructure in emerging markets continues to be developed. PCU is estimated to earn $9.07 a share in full-year 2007 and $10.52 in 2008.

PCU has a yield of 6.6%, paying $6.80 a share. Blackrock Group and JPMorgan Chase are the top institutional holders, while Excelsior Value and Restructuring Fund and CGM Realty Fund are the top Mutual Fund holders of PCU. Although **Freeport-McMoRan** (FCX) is everyone's darling, its measly 1.1% dividend just isn't in the same league.

Standard Register (SR) provides custom printing services for businesses in the U.S. The company pays a dividend of 72 cents a share, representing a yield of 7.2%.

It has a forward PE of 22 and has consistently paid its quarterly dividend for the past seven years. With a PEG approaching 5, Standard Register is certainly not a growth stock, but it has a solid niche business, particularly in its production of tamper-resistant prescription forms.

Management has made some difficult decisions and taken some cost-cutting measures that should improve the company's outlook. While I would not normally consider a stock like Standard Register due to its small market capitalization, its low return on equity and marginal debt-to-capitalization ratio suggest it should continue to be a consistent dividend payer. That I believe makes Standard Register worthy of consideration. Nationwide Small Cap Fund is the largest mutual fund holder of SR shares.

Vector Group (VGR) makes and sells cigarettes and also dabbles in real estate, offering residential brokerage services and holding interests in spas, resorts and hotels. VGR trades at a P/E of 17.7 and a PEG of 1.7 with a dividend yield of 7.2%. VGR is estimated to earn 98 cents a share for full-year 2008. VGR's third-quarter earnings declined primarily due to a tax adjustment in the previous year's quarter.

Because VGR is small, one of the larger tobacco companies may find it worthwhile to purchase VGR. Carl Icahn is the top institutional owner, holding 19.7% of the outstanding shares. DWS Dreman Small Cap Value Fund is the largest mutual fund holder of the stock.

For all of my high-yield stock picks, check out Big Poppa's High-Yielding Stocks and for more ideas, Top-Yielding Stocks With Raised Dividends, both at Stockpickr.com.

COMPANY	INDUSTRY	ANNUAL DIVIDEND	YIELD
Atlas Pipeline (APL)	Pipelines	$3.64	7.9%
Ferrell Gas Partners (FGP)	Gas Distribution	$2.00	9.1%
Genesis Lease (GLS)	Aircraft Leasing	$1.81	9.2%
Southern Copper (PCU)	Metals	$6.80	6.6%
Standard Register (SR)	Bus. Support Services	$0.92	7.2%
Vector Group (VGR)	Tobacco	$1.60	7.4%

Please note that due to factors including low market capitalization and/or insufficient public float, we consider Standard Register to be a small-cap stock. You should be aware that such stocks are subject to more risk than stocks of larger companies, including greater volatility, lower liquidity and less publicly available information, and that postings such as this one can have an effect on their stock prices.

At the time of publication, Stapleton was long Genesis Lease, although holdings can change at any time.

This article was written by a member of the Stockpickr community.