

Taking Stock: A Berko's dozen

by Malcolm_Berko

Dear Mr. Berko: I have just a bit over \$100,000 that I can speculate with in the market. I want to buy a portfolio of issues that have yields of 10 percent or better. It's my intention to hold these issues for a year and hopefully the dividend payouts will increase and hopefully the share values would also increase. So please recommend 10 to 12 top-quality issues that have 10 percent or better yields. And please don't suggest any closed-end bond funds because there's not too much opportunity for dividend and principal growth in those things.

H.E.

Elgin, Ill.

Dear H.E.: You're not asking for much! All you want are a dozen or so "top-quality issues that have 10 percent or better yields." High yields usually indicate low quality and high risk; certainly not top quality. However, I can give you some of the best among some of the worst, as you will note below.

If you invest \$9,000 in each issue it might help if you spend the next 52 Sundays in the Amen corner of your church because you're gonna need all the help you can get. However, you may want to ask yourself: What if Gentle Ben decides to raise interest rates - and some observers think he will - those high-yield issues could become a lot less attractive to income-seeking investors.

Harvest Energy Trust (HTE-\$31.35) is a \$2.1 billion revenue Canadian investment trust. Through its subsidiaries, HTE explores, develops, produces, refines and sells petroleum and natural gas liquids. Its monthly dividend of 33 cents yields 12.6 percent.

Magyar Telekom Telecommunications (MTA-\$26.56) is a \$3.7 billion telephone company home ported in Hungary. The \$3.60 dividend yields 15.7 percent.

Provident Energy Trust (PVX-\$12.33) is a \$2 billion revenue Canadian investment trust that purchases, develops, produces, stores, processes, extracts and transports crude oil and natural gas. The \$1.30 dividend yields 11 percent.

Telephonica de Argentina SA (TAR-\$18.11) is a \$1.2 billion telecommunications company providing telecommunications services in Argentina. The \$1.97 dividend yields 11.3 percent.

Enerplus Resources Fund (ERF-\$47.47) is a \$1.35 billion revenue Canadian investment trust that owns a diversified portfolio of diversified oil and gas properties in Canada and the U.S. The \$4.56 dividend yields just a fraction under 10.2 percent.

Alpine Total Dynamic Dividend Fund (AOD-\$21.38) is a closed-end fund that scours the globe seeking high yield foreign and U.S. stocks without regard to the dividend's tax rate. This \$3.6 billion portfolio has an annualized \$2.16 dividend and yields 10.2 percent.

Korea Fund (KF-\$43.42) pays a \$7.12 annual dividend, yields 16 percent and trades at a 6 percent discount to net asset value. This fund invests primarily in South Korean issues while concerns about North Korea's belligerence weigh heavily on KF's NAV.

Alesco Financial Inc. (AFN-\$7.48) is a \$42 million revenue real estate investment trust that invests in land, mortgages, corporate loan obligations and trust preferred securities. The \$1.24 dividend yields 16.6 percent.

Luminant Mortgage Capital Inc. (LUM-\$9.18) is an \$87 million revenue REIT with a portfolio of single-family, adjustable rate and fixed-rate mortgages. The \$1.28 dividend yields 13.4 percent.

MCG Capital Corp. (MCGC-\$16.22) is a \$157 million business development company that acquires, finances and leverages companies with revenues between \$30 and \$200 million. The \$1.76 dividend yields 10.9 percent.

Capstead Mortgage Convertible Preferred (CMO.B-\$12.46) owns an \$11.2 billion portfolio of adjustable rate mortgages. The monthly 10.5-cent dividend yields just less than 10 percent.

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