



## Invest in Canadian Dollars and Get American Income

### Description

It now takes about CAD\$1.33 to get US\$1, a whopping 33% more. Are you pouting because the U.S. dollar has become strong than the Canadian dollar? What if you could earn U.S. dollars by investing in Canadian dollars?

Here are two utilities that you can buy on the Toronto Stock Exchange that pay out U.S. distributions. Thanks to the strong U.S. dollar, they yield 5.3% and 6.7%, respectively.

#### **An infrastructure company with a solid 5.3% yield**

**Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) owns high-quality, long-life assets that provide essential products and services on four continents. It owns assets in four business segments: utilities, transport, energy, and communications infrastructure.

Since 90% of its cash flows are either contracted or regulated and with a payout ratio of about 67%, Brookfield Infrastructure's 5.3% yield is safe. The company also targets long-term distribution growth of 5-9% per year.

Its general partner and manager **Brookfield Asset Management Inc.** owns 30% of equity interest in the company. So, management's interests are aligned with unitholders' interests.

On the Toronto Stock Exchange, Brookfield Infrastructure handily beat market returns by delivering annualized returns of over 20% in the one-year, three-year, and five-year time frames. It has also been a smoother ride than **Brookfield Renewable Energy Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)), another entity with the same general partner and manager.

Further, Brookfield Infrastructure has an S&P credit rating of BBB+, higher than Brookfield Renewable's BBB. Because it's higher quality, Brookfield Infrastructure has a lower yield than Brookfield Renewable.

#### **A renewable energy business with attractive yield of 6.7%**

After falling over 21% from its 52-week high of \$42 to under \$33, Brookfield Renewable yields 6.7%. Its yield has been pushed higher by a declining price and a stronger U.S. dollar.

Even with a more conservative foreign exchange rate of US\$1 to CAD\$1.20 (instead of CAD\$1.33), the distribution yield would still be 6% at the current price.

The utility has outperformed the **S&P/TSX Composite** and **S&P 500** in annualized returns in the one-year, three-year, and five-year time frames.

Brookfield Renewable has US\$19 billion of power assets with 81% of hydro-generation and about 17% of wind-power generation. Its assets are diversified across roughly 250 power-generation facilities and seven countries. Although 75% of assets are located in North America, the utility plans to expand in other markets when opportunities arise.

Over the next five years, Brookfield Renewable plans to invest US\$500-600 million each year and aims to deliver long-term total returns of 12-15%.

Cash distributions that are paid out in U.S. dollars are expected to grow at a compound annual growth rate of 5-9%.

Brookfield Renewable has paid a growing distribution since 2011. Over four years, its distributions have grown on average about 5.3% per year.

Along with about 90% contracted cash flows, the business targets a payout ratio of 70% that keeps the distribution safe.

## In conclusion

Both Brookfield entities pay out distributions supported by stable cash flows. Additionally, both distributions are targeted to grow 5-9% per year. Although it has a lower yield, Brookfield Infrastructure is the higher-quality pick.

Both pay out distributions that are unlike dividends. Their distributions can consist of dividends, interests, return of capital, and other income. To find out more, check out the "Tax Information" section of the corporate websites. If you want to avoid this hassle, consider buying and holding them in RRSPs or TFSAs instead of non-registered accounts.

## CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)

2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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kayng

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