



Cash In on the Weak Loonie With Brookfield Infrastructure Partners L.P.

Description

With the Canadian dollar sliding to a 12-year low, it takes about CAD\$1.41 to convert to US\$1. Canadians can cash in on the strong U.S. dollar by buying quality assets that pay out U.S. distributions. **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#)) ([NYSE:BIP](#)) is one such company.

Brookfield Infrastructure's market cap is about \$7.76 billion. Shareholders can be sure that management's interests are aligned because the general partner, who is also the manager, owns about 30% of the equity interest.

The business outperforms

On the Toronto Stock Exchange, Brookfield Infrastructure outperformed the market by delivering annualized returns of 23% or better in the one-year, three-year, and five-year periods.

One reason the business outperforms is because it owns high-quality assets. Brookfield Infrastructure owns and operates global infrastructure assets in utilities (a regular coal terminal, transmission lines, and electricity and gas connections), transport (ports, toll roads, and rail operations), energy (energy systems delivering heating and cooling, and natural gas pipeline and storage systems), and communications infrastructure (multi-purpose towers, and fibre backbone).

A safe and growing yield of 6%

Brookfield Infrastructure generates diversified cash flows from Australia (33%), Europe (32%), South America (25%), and North America (10%). Segment-wise, it generates 41% from utilities, 43% from transport, and 8% from both energy and communications infrastructure.

Most importantly, about 90% of its cash flows are either contracted or regulated, about 70% are indexed to inflation, and about 60% have no volume risk. High-quality cash flows imply a stable dividend. Indeed, Brookfield Infrastructure has increased its distribution for eight consecutive years.

The recent dip brought the share price down to \$48.50, which is a decent entry point. Its quarterly distribution is US\$0.53, and it yields 6% at this price using a foreign exchange conversion of CAD\$1.38

to US\$1. Even if the loonie strengthens tomorrow and the foreign exchange updates to CAD\$1.15 to US\$1, the yield would still be 5%.

According to its usual distribution growth pattern, Brookfield Infrastructure should be announcing a distribution hike by the end of February. Over the long term, the business anticipates funds from operations (FFO) per unit to grow at a rate of roughly 10% and targets long-term distribution growth of 5-9% per year. Brookfield Infrastructure's sustainable FFO payout ratio of 67% and high-quality cash flows ensure the safety of its distribution.

Which account should you invest in?

Brookfield Infrastructure is a qualified investment for RRSPs, deferred profit sharing plans, RRIFs, RESPs, RDSPs and TFSAs. However, in 2015 the business paid out distributions that consisted of foreign return of capital, foreign income, and Canadian interests. So, interested investors should consult a tax professional or financial advisor to determine which account is the best to invest in.

Conclusion

Brookfield Infrastructure owns quality infrastructure assets that generate high-quality cash flows. With a history of hiking distributions for eight consecutive years, a sustainable payout ratio, and FFO per unit estimated to grow by 10% per year, Brookfield Infrastructure's 6% yield is safe and should continue to grow.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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