2 Stocks You Can Count On for a Growing Income

Description

Rising interest rates have dragged down the shares of these dividend stocks. This bodes well for income and value investors because it boosts their yields and makes them more attractive from a valuation standpoint.

These companies' discounted and growing profiles, along with their growing dividends, make them alluring long-term investments.

Here's why you should consider **Brookfield Property Partners LP** (TSX:BPY.UN)(NYSE:BPY) and **Algonquin Power & Utilities Corp** (TSX:AQN).

Brookfield Property

Brookfield Property is anchored by a core portfolio of quality office and retail assets. They generate stable cash flows and target total returns of 10-12%.

Its office portfolio consists of 149 premier office properties in gateway cities such as New York, London, Toronto, Sydney, and Berlin. Its retail portfolio consists of 126 best-in-class retail properties across the U.S. through its 34% interest in **General Growth Properties Inc**.

Brookfield Property allocates about 20% of its portfolio in opportunistic investments that target total returns of 18-20%. They consist of mispriced global assets in office, retail, industrial, multifamily, hospitality, triple net lease, self-storage, and student-housing properties.

At US$21.50 per unit, Brookfield Property trades at a good discount of about 30% from its IFRS value per unit, which was just below US$31 at the end of the third quarter.

Brookfield Property is a value investor at heart and would redeploy capital from mature assets into quality, mispriced assets. Doing so will boost the returns of long-term unitholders.

In the meantime, it offers an above-average 5.2% yield that management aims to grow 5-8% per year. This implies long-term returns of at least 10-12% without accounting for the discount in the shares.

money, cash, dividends 16-9

Algonquin Power & Utilities

Algonquin is a diversified North American utility with assets in generation, transmission, and distribution.

Its generation business has an installed capacity of 1,300 megawatts using clean energy facilities. They are non-regulated assets powered by wind, solar, hydro, and thermal energy.

Its distribution business provides electricity, natural gas, and water utility services to more than 560,000 U.S. customers in 11 states. These rate-regulated assets generate stable earnings and cash flows.

At about $10.70 per share, the utility trades at a discount of about 14% on a price-to-cash flow basis. What makes it more attractive than other utilities is its anticipated growth.

Algonquin has about 500 megawatts of generation-development projects in its pipeline that are expected to come into service through 2018. Most have a contract life of 20 years.

Additionally, the close of the **Empire District Electric Co** acquisition expected in early 2017 will be immediately accretive to the utility's growth and increase its regulated operations from about 51% to 72%, thereby increasing the stability of the utility's earnings.

For the three-year period following closing, the average annual accretion to earnings per share and funds from operations per share is expected to be about 7-9% and 12-14%, respectively.

Algonquin yields nearly 5.4%, and it's expected to hike its U.S. dollar–denominated dividend by about 10% per year. It pays eligible dividends, which are more favourably taxed than your job's income if held in a non-registered account.

Conclusion

Rising interest rates will likely continue to pressure both stocks in the near term. However, both companies are discounted today and pay safe dividends with decent growth expectations. So, it's a good time to build a position in them over time for income and growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:BPY.UN (Brookfield Property Partners)

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