



3 Remarkably Cheap High-Yield Stocks

Description

More often than not, high-yield stocks come with higher risk. However, that is not the case for a trio of publicly traded partnerships affiliated with leading Canadian investment group **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)). Each offers investors a generous income stream backed by solid balance sheets and contractually secured cash flow. Even better, investors can buy these stocks at a remarkable discount to the market value of their assets.

The global infrastructure giant: Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#))

Brookfield Infrastructure Partners owns a menagerie of energy, utility, transportation, and communication assets around the globe. The bulk of these assets throw off stable cash flow due to their regulated nature or from long-term contracts. Overall, 90% of the cash flow comes from these stable sources, while 60% has no volume risk. Finally, the company has a solid investment-grade credit rating, relatively low leverage, and it only distributes between 60% and 70% of its cash flow each year to investors. These factors mean that Brookfield Infrastructure Partners's 4.5% yield is on solid ground.

Typically, a stable business like that would trade at a premium to market peers. However, that's not the case at Brookfield Infrastructure Partners. According to the company's internal valuations, its net asset value is \$2.8 billion above the company's current equity market value, which implies that its units trade at a 30% discount to intrinsic value. That is without factoring in the company's embedded organic growth, which should support 5-9% annual distribution growth over the next several years. In other words, investors get a high yield and strong growth for a dirt-cheap price.

The clean energy machine: Brookfield Renewable Partners LP ([TSX:BEP.UN](#))([NYSE:BEP](#))

Hydro- and wind-power operator Brookfield Renewable also offers investors a rock-solid income stream. Backing the payout is the fact that 90% of its cash flow comes from long-term contracts that have an average remaining length of 16 years and contain inflation-linked escalation clauses. Further supporting the payout is Brookfield Renewable's investment-grade credit rating and a conservative payout ratio which is currently just 70% of annual cash flow. As a result, its 6.2% yield is on very

sustainable footing.

Despite that stability, Brookfield Renewable trades at a discount to comparable companies in the market of 15% at the low end to as much as 40% at the upper end. In other words, if it traded at peer-group multiples, Brookfield Renewable's units would fetch between \$34 and \$42 per unit, which is well above its current \$30 unit price. Further, that is without ascribing any value to its development pipeline, which the company believes is worth \$2-3 per unit given that those projects should drive 5-9% annual distribution growth over the next several years.

The real estate mogul: Brookfield Property Partners LP ([TSX:BPY.UN](#))(NYSE:BPY)

Like its siblings, office and retail property owner Brookfield Property Partners generates very predictable income by collecting rent from its vast property portfolio. Further, long-term lease contracts underpin more than 90% of the company's leasable space, which provides income visibility for the next several years. Finally, the company also has an investment-grade balance sheet and only distributes about 80% of its cash flow each year. These factors put its 5% payout on a sustainable footing over the long term.

Investors usually pay a fat premium for stability like that. However, that's not the case here. Currently, Brookfield Property Partners trades at just \$22 per unit, which is well below the \$31 per unit equity value of its global real estate portfolio. On top of that, the company has a multi-billion dollar development pipeline, which it expects will support 5-8% annual distribution growth over the long term. Again, that's very inexpensive income growth from a Brookfield affiliate.

Investor takeaway

This Brookfield trio offers investors a compelling blend of income and growth all for a cheap price. The combination makes them great wealth creators because investors get paid exceptionally well while they wait for the market to realize its mistake of undervaluing these stocks. That allows savvy investors who reinvest their income into more shares to compound their wealth over the long term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. NYSE:BN (Brookfield Corporation)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
6. TSX:BN (Brookfield)
7. TSX:BPY.UN (Brookfield Property Partners)

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