



Why Dividend Investors Should Know This Top Stock

Description

Since its inception and across different multi-year periods, **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has outperformed the market and its industry.

For example, the company's five-year annualized total return was 24%. In the same period, the S&P 500's annualized total return was 14% and the S&P Utilities Index's was 11%.

Brookfield Infrastructure owns and operates critical infrastructure assets, including toll roads, railroads, ports, pipelines, and transmission and telecommunications towers. Its core portfolio is in North America and Australia, followed by Europe, then South America, and India. The company continues to expand its diversified portfolio of long-life assets.

Value investments

One thing to applaud is that the company focuses on buying high-quality assets for value prices. This value-investing strategy helps tremendously in the company's outperformance. As of late, the infrastructure company has its eyes set on Brazil and India. It has made a couple of acquisitions from those places which are expected to close in the coming months.

dividends or type unknown

The Brookfield-led consortium is acquiring 90% (for US\$5.2 billion) of a Brazilian gas transmission company, and it allows for Brookfield Infrastructure to invest US\$1.3 billion in the company as well.

The gas-transmission company owns the main natural gas transportation network, spanning more than 2,000 km "in the highly populated states of São Paulo, Rio de Janeiro and Minas Gerais in South Central Brazil," stated the company in a press release.

Brookfield Infrastructure is also building a large-scale electrical transmission utility in Brazil. Due to Brazil's loss of its investment-grade status, investing new money in Brazil's utility market has become more attractive than investing in the North American utility market. Investing in Brazil now is expected to lead to higher risk-adjusted returns over the long term.

Further, Brookfield Infrastructure plans to invest more than US\$200 million to acquire 40,000 telecommunication towers from an Indian telecom. That represents about 10% of the country's towers.

A solid, growing dividend

Other than outstanding price appreciation over the long term, Brookfield Infrastructure offers a solid cash distribution, which tends to yield more than 4%. At about \$48 per share, it yields nearly 4.8%.

About 90% of the infrastructure company's cash flows are either contracted or regulated. And about 70% of its cash flows are indexed to inflation.

So, it's not surprising that the company has consistently increased its payout for nine consecutive years since its inception. Moreover, it maintains a sustainable payout ratio of 67% and an S&P credit rating of BBB+. The company just boosted its distribution by 10.6% early this month.

Investor takeaway

Brookfield Infrastructure has a diversified portfolio of quality, long-life assets. Not only does it outperform in the long run, but it also offers an above-average income.

Currently, it yields 4.8%. And you can expect it to continue to grow its distribution in a healthy manner. As a result, the company is a great long-term holding.

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