



## Enbridge Inc. vs. Enbridge Income Fund Holdings Inc.: Which Is Better?

### Description

Some investors ponder whether it's better to invest in **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) or **Enbridge Income Fund Holdings Inc.** (TSX:ENF). A common perception is that Enbridge has more growth potential, while the fund offers higher immediate income.

I'm going to discuss their past performance in terms of total returns and the income generated. The implications of that may surprise you.

### Past performance

Since 2014, Enbridge Income Fund Holdings has delivered an annualized rate of return of 16.3%. A \$10,000 investment would have generated \$2,056 of dividends.

In the same period, Enbridge delivered an annualized rate of return of 9%. A \$10,000 investment would have generated \$1,159 of dividends.

Let's compare a longer period.

Since 2011, Enbridge Income Fund Holdings has delivered an annualized rate of return of 14.6%. A \$10,000 investment would have generated almost \$4,760 of dividends.

In the same period, Enbridge delivered an annualized rate of return of 14.3%. A \$10,000 investment would have generated \$3,110 of dividends.

### Ongoing Construction On The Enbridge Athabasca Pipeline Twinning Project

### What does the past tell us?

Although past performance doesn't tell us the future, it does have some implications.

The above examples seem to indicate that due to Enbridge Income Fund Holdings's outsized yield, you're guaranteed more income and subsequently secure more of your returns from a safe dividend, as opposed to Enbridge, which relies on future growth to lead to price appreciation and dividend

growth.

In other words, if you're investing for only five years or less, between Enbridge Income Fund Holdings, which yields nearly 6.1%, and Enbridge, which yields 4.1%, the former will very likely outperform in terms of income generation and likely outperform in terms of total returns.

If you're investing for longer than five years, Enbridge's higher growth should allow it to outperform the slower-growing Enbridge Income Fund Holdings.

### **Which company is better?**

Choosing between the two is not as simple as looking for the most returns or picking the one that generates a higher income.

Enbridge Income Fund Holdings holds interests in energy infrastructure assets that Enbridge has [dropped down](#). Enbridge is the larger and more diversified company.

Enbridge Income Fund Holdings is primarily viewed as a high-income investment with some growth expectations in its dividend and price appreciation. However, its shareholder dilution has been much worse than it's been for Enbridge's shareholders.

Since 2012, Enbridge's average outstanding shares have increased 16.9%, while Enbridge Income Fund Holdings's have increased 17.5 times! In the same period, their dividends have increased 106% and 65%, respectively.

### **Investor takeaway**

If you need more income or total returns within the next five years, you're probably better off holding Enbridge Income Fund Holdings.

If you plan to invest for the very long term (and potentially reinvest the dividends back into the stock), in time, Enbridge's higher growth prospects should allow you to beat Enbridge Income Fund Holdings's income generation and price appreciation.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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