

2 Top Dividend-Growth Stocks With +5% Yields

Description

One of the easiest paths to investing success is investing for the long term in companies that pay regular, steadily growing dividends. Not only do they allow investors to build an ever-expanding income stream, but because of their mature businesses and strong balance sheets, they can be an important means of managing volatility during times of uncertainty.

Recent events in northeast Asia and heightened tensions globally, along with interest rate hikes in the U.S. and Canada, have all created uncertainty among investors and financial markets. Such incidents make it imperative for income-hungry investors to seek out dividend stocks with solid cash flows, wide economic moats, high but sustainable yields, and an established record of dividend growth.

Now what?

One juicy 5% yield that stands out for all the right reasons is **Brookfield Renewable Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)).

The renewable energy utility has hiked its distribution for the last seven years, and it is poised to unlock considerable value for investors. In the past, the performance of its hydroelectric operations has been weighed down by poor hydrology, causing its earnings to slump and leading to concerns about the sustainability of that monster yield.

However, improved hydrology lifted its second quarter 2017 operational performance and caused earnings to surge. The 72% lift in funds flow shows the considerable potential its operations possess as hydrology improves because of the waning impact of the El Niño weather pattern.

Along with growing demand from core electricity markets in Colombia, Brazil and the U.S., improved hydrology will ensure that cash flow keeps growing, making the distribution sustainable and allowing the partnership to achieve its targeted 5-9% annual distribution growth. Brookfield Renewable's positive long-term outlook is further supported by the secular trend to renewable sources of energy.

Another must-own dividend stock that is highly resilient to economic uncertainty is energy company **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)).

After completing the US\$28 billion acquisition of Spectra Energy Corp., it became North America's premier energy infrastructure company with over 55,000 km of natural gas pipelines and 400 billion cubic feet of natural gas storage.

Impressively, it has rewarded loyal investors with 25 years straight of dividend hikes, giving it a juicy 5% yield.

Since reporting a massive 57% year-over-year increase in adjusted EBITDA for the second quarter 2017, it remains on track to meet its guidance for the year. Given the difficult operating environment, weighed down by the prolonged slump in crude and weaker natural gas prices, this is an impressive

achievement.

Such solid earnings growth can only continue because it has a massive \$31 billion project inventory that will drive significant cash flow growth between now and 2020.

The services provided by Enbridge, including the transmission as well as storage of crude, natural gas, and other petroleum products, are crucial to meeting North America's energy needs. This means demand for the use of its infrastructure and services remains relatively inelastic.

When these characteristics are combined with the industry's steep barriers to entry and its oligopolistic attributes, Enbridge has a wide economic moat, making its earnings virtually immune to competition as well as market downturns. That ensures its dividend remains sustainable, and means that it can keep delivering dividend hikes, making it a must-have defensive dividend-growth stock.

So what?

Both businesses provide infrastructure and services that are crucial to modern society as well as economic activity. This makes them virtually immune to downturns in the economic cycle as well as the growing uncertainty that has rattled markets in recent months. When these qualities are coupled with their virtually unassailable economic moats and the guaranteed nature of their earnings, they are capable of rewarding investors with more dividend increases, while remaining resilient to any political or economic crises.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
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