



## 2 Quality Dividend Growth Stocks I Own

### Description

It's impossible for stocks to go up, up, and up. Even the [best companies](#) can underperform at times. Sometimes it means their stocks experience dips. At other times, it means their stocks essentially travel sideways for some time.

These are normal price actions after outperformance. You can see it as stocks needing to take a breather, just like a hiker having a snack before climbing new heights.

Here are [two quality stocks](#) that I believe are taking a breather after climbing for some time.



Since 2016 **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) stock has climbed ~68%. Essentially, it delivered an annualized rate of return of ~30% along with its quarterly distribution. With the company trading at much higher multiples than it did before, it would be silly to think that it will deliver ~30% for the next year.

That said, it doesn't mean unitholders should sell the quality company. I originally bought the stock at a reasonable valuation for safe, growing income.

Of course, I expected price appreciation over time, too. The stock has exceeded my expectations in both income growth and price appreciation since I've owned it. In the last two years, management hiked its distribution per unit on average by nearly 11% per year.

Since management is focused on value investing, it isn't shy to sell mature assets and redeploy the proceeds in higher-returning investments. Here's one example. In late December, Brookfield Infrastructure agreed to sell its Chilean regulated transmission business for US\$1.3 billion. This transaction is expected to close by June.

**Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) stock has been on a tear since the low in the last recession. That said, it had a major dip of ~20% in 2013 that took five months to play out. Since that dip, the stock has delivered an annualized rate of return of ~23.6%.

In the last two years, the stock has experienced two meaningful dips of ~13.6% and ~9%, respectively, in a week. This week, the stock has declined ~5.1% so far. I don't see any changes in its fundamental business, and see the current dip as nothing but profit-taking.

### Investor takeaway

Brookfield Infrastructure is a quality company with a safe yield of nearly 4%; it will hike its distribution by at least 5% in the next couple of months.

Algonquin offers a nearly 4.4% yield and is reasonably valued today. Management aims to hike its dividend by 10% per year for the next few years.

Between the two, I believe Algonquin is a better value today.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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