Here’s 1 Solid Company to Put in Your Canadian Dividend Portfolio Today

Description

If you’re looking to build a diversified dividend portfolio, you’re going to want to include companies that are diversified across geographies and industries and have solid track records of operational excellence. In Canada, there are a number of companies that fulfill all of these criteria.

One company that ticks all of these boxes is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). These shares represent a position in the parent holding company of a large number of subsidiaries. These subsidiaries operate all over the world in a variety of industries. Some sectors include the renewable energy, office properties, infrastructure, financial services, and many more. This holding company is basically a one-stop shop for portfolio diversification.

As an asset manager with a focus on the long term, one of the benchmarks Brookfield uses to judge its performance is its ability to compound the growth of its book value and funds from operations (FFO) over time. The company has been impressive at doing this, compounding book value by 12% and FFO by 16% annually over the past two decades.

Its results from this year are no exception. In Q2 2018, Brookfield grew its FFO by 34%, providing a solid base for regular dividend payments. Revenues increased by over 40% year over year in part attributed to revenues brought in from completed acquisitions and improved pricing at its graphite electrode manufacturing business. Brookfield maintains that a large part of its returns has been due to a focus on real assets, such as real estate. The company also pays a dividend of 1.37%, which it has increased regularly for several years.

If this company is so diversified across sectors and geographies, then why don’t I simply own an index ETF and be done with it? Why take the company-specific risk? Well, the biggest reason would be the fact that an index owns many different companies, even those you do not wish to own.

When you buy shares of Brookfield, you are buying its expertise at finding deals and executing those businesses effectively, instead of just owning everything. Consider that passive investing in a major index like the S&P 500 has produced a compound annual growth rate (CAGR) of 7% annually over the past 20 years. This is a pretty good rate of return. But when compared with Brookfield’s CAGR of 16%

over the same time period, you can see that its strategy has paid off over the long term.

Apart from the above critique, potential investors should note that the company has a lot of debt. Having a large amount of debt is not uncommon though for companies operating in the real estate, utility, or infrastructure sectors. This is mostly due to the fact that these are long-term investments with steady, somewhat predictable cash flows. Since Brookfield is involved in all three sectors, it stands to reason that it would carry a fair amount of debt.

Brookfield has an excellent track record, a fantastic distribution, and tonnes of diversification. Its ability to capitalize on opportunities has been proven over the years. This is a steady company, but not a fast grower. If you are interested in owning a solid company that will pay you steadily growing dividends over time and are confident in the future of real estate, this is a stock you should seriously consider owning in your defensive portfolio.

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