



Last-Minute Christmas Shopping for Your Stock Portfolio

Description

In this holiday season, while shopping for your family and friends, remember also to shop for yourself — specifically, your stock portfolio. This holiday season, the market is offering the gift of cheaper stocks.

For instance, the valuations of quality companies, such as **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), have come off. So, it's an excellent time to accumulate shares for long-term portfolios with a focus on income and stability.

You can pretty much [buy these stocks on this correction](#) and hold on for a long time for returns of more than 10% per year on average. They start you off with dividend yields of about 5%, but you can expect dividend increases over time.

Bank on this bank

Scotiabank has positioned itself with about 56% of core earnings coming from Canada and about 21% coming from Pacific Alliance countries, where there's lots of growth potential.

Canadian earnings offer stability and pretty much full coverage of the dividend. The Pacific Alliance countries, namely Chile, Colombia, Mexico, and Peru, have younger populations, higher population growth, and lower bank account penetration.

The bank is very profitable. In fiscal 2018, which ended at the end of October, it reported net income of \$8,548 million, which was a three-year increase of about 6.8% per year on average. Investors can expect stable earnings growth of 6-7% per year to continue over the next three to five years.

At about \$69.50 per share as of writing, Scotiabank offers a yield of about 4.9%. Its payout ratio is sustainable at less than 50%. The bank should increase its dividend per share by about 6% per year for the next few years.

Thomson Reuters has a 12-month mean target of \$84.30 per share on Scotiabank, which means the

stock is undervalued by about 18% on a forward basis.



The sell-off in this blue-chip stock is unwarranted

Brookfield Infrastructure stock [has really sold off](#)! In the last five trading days as of writing, it's down 10%, and it has corrected about 20% over the course of the last 12 months.

However, the sell-off is unwarranted. The company has one of the world's best managers. The management also has a huge stake of 30% in the company. So, their interests are aligned with those of the shareholders.

Furthermore, Brookfield Infrastructure has accumulated one of the best utility portfolios an investor can ask for — global cash cow assets across multiple industries, including utilities, transportation, energy, and data infrastructure. Think of very stable cash flow generation from regulated distribution and transmission assets and toll roads and railroads.

The sell-off will shake out the shareholders with weak hands. However, investors with a long-term mindset should be happy by watching for a bottom and accumulate shares in this quality, blue-chip company.

At about \$45.30 per share as of writing, Brookfield Infrastructure offers a yield of about 5.6%. We haven't seen the company with this high a yield since the sell-off it had in 2016.

Brookfield Infrastructure is insulated well from interest rate hikes because about 90% of its long-term debt is fixed. Moreover, about 83% of its debt is non-recourse. So, in the worst-case scenario, the lender will seize the asset the non-recourse loan is for but can't go after the other assets of the company.

Reuters has a 12-month mean target of US\$45.60 per share on Brookfield Infrastructure, which indicates the stock is undervalued by about 28% on a forward basis.

Investor takeaway

Long-term investors should take this holiday gift from the market and buy quality stocks such as Scotiabank and Brookfield Infrastructure for income and dividend growth of at least 5% per year on

average. They offer attractive yields of 4.9% and 5.6%, respectively, for starters. Now onward to the next Foolish idea the holiday sell-off has to offer!

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)

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