2 Infrastructure Dividend Kings Yielding 5% or More to Buy and Hold Forever

Description

An asset class that remains underappreciated and fails to attract considerable attention from investors is infrastructure. While the industry doesn't boast the sensational returns associated with hot growth stocks like marijuana companies, it provides a stable mix of steadily expanding income and capital growth. The appeal of infrastructure stocks is enhanced by their considerable defensive characteristics, which help to reduce volatility and protect earnings during market downturns.

They are also positioned to grow at a solid clip because a combination of aging infrastructure, an increasing lack of capacity, and a massive multi-trillion-dollar spending shortfall will act as powerful tailwinds. Much of that deficiency in infrastructure investment will have to be covered by the private sector because of the growing fiscal pressures being felt by governments globally, with many still not having fully recovered from the global financial crisis a decade ago.

Here are two top dividend-paying infrastructure stocks that should be in every portfolio.

Crucial energy infrastructure

Enbridge (TSX:ENB)(NYSE:ENB) may be the sixth most shorted stock on the TSX after the Big Five banks, but its combination of a regularly growing dividend yielding almost 6% and solid growth potential make it an outstanding stock to own. The midstream services company is a vital link between Canada's energy patch and U.S. refining markets.

Enbridge reported solid 2018 results, including an impressive 36% year-over-year increase in distributable cash flow. Earnings will keep expanding at a solid clip, because a substantial shortage of energy infrastructure, including pipeline exit capacity, growing domestic hydrocarbon production, and new assets coming online will see the volume of petroleum transported expand.

Enbridge has $16 billion of secured growth projects scheduled to be completed by the end of 2020. The most important project is the $9 billion Line 3 Replacement Update, which is expected to significantly bolster the volume of crude, which can be transported to the U.S..

At the midpoint of its 2019 guidance, Enbridge is forecasting distributable cash flow of $4.45 per share, which is 5.5% greater than 2018. That will support the planned 10% dividend hike for 2019 and a further 10% in 2020, boosting the sustainability of Enbridge's juicy yield. This emphasizes why Enbridge should be a core holding in every investors' portfolio.

Globally diverse assets

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is one of the largest publicly listed infrastructure businesses globally. It owns and operates a diversified portfolio of critical infrastructure spanning ports, energy utilities, rail roads, toll roads, data centres, and telecommunication towers. Brookfield Infrastructure has gained a mere 5% over the last year, creating an opportunity for investors.

The partnership has hiked its distribution for the last 11 years, giving it a tasty yield of just under 5%. The business possesses solid defensive characteristics, including a wide economic moat, operating in oligopolistic markets, and generating 95% of its earnings from contracted sources. These attributes protect it from economic slumps while enhancing Brookfield Infrastructure's growth prospects.

The partnership has a long history of expanding its earnings through a combination of capital recycling, organic growth, and making opportunistic acquisitions. The last major deal completed by Brookfield Infrastructure was the $4.3 billion acquisition of Enercare — one of North America's leading energy solutions companies — adding 1.6 million customers to its client base.

Prior to that acquisition, the partnership completed the $4.3 billion purchase of Enbridge's Western Canadian midstream services assets, which closed during October 2018. That saw Brookfield Infrastructure become a leading player in Western Canada's natural gas patch and, in conjunction with the Enercare deal, will boost funds from operations and EBITDA. It also further bolstered its economic moat because of the inelastic demand for energy, which is a crucial driver of modern economic activity.

Brookfield Infrastructure also recently reloaded its coffers, completing a fully subscribed $100 million preferred share offering in February 2019. This indicates that the partnership could be on the prowl for further opportunistic and accretive deals over the course of this year.

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