



3 Dividend Aristocrats Yielding +5% to Build a Solid, Recurring Passive-Income Stream

Description

Historically low interest rates and the Fed's more dovish approach to rate hikes has sparked a hunt for yield among investors. As a result, the yields on traditional fixed-income assets such as bonds have fallen to levels where they are incapable of producing the income required by many investors. That has sparked a hunt for yield, causing investors to flock to stable dividend-paying stocks, and it isn't difficult to understand why.

Financially strong companies with solid balance sheets, wide economic moats, and mature businesses typically generate consistently growing excess cash flow, which allows them to reward investors with generous steadily growing dividends. Here are three stocks classified as [Dividend Aristocrats](#) that possess those characteristics and are yielding 5% or more, which is almost three times greater than the current Canadian 10-year bond yield.

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#))

The midstream services giant has hiked its dividend every year for the last seven years to see it yielding just over 5%. It is easy to see why Pembina can consistently [deliver value](#) for investors.

The energy infrastructure company reported some solid first-quarter 2019 results, including a 9% year-over-year increase in adjusted cash flow from operations to \$578 million, while adjusted EBITDA shot up by 12% to \$773 million.

Pembina's earnings will continue to grow solidly, supporting the sustainability of its quarterly dividend and additional hikes. That growth will be supported by a combination of Pembina expanding its infrastructure with \$5.5 billion of projects under development as well as growing demand for the utilization of its pipeline, storage, and processing facilities.

In fact, existing pipeline constraints where oil and natural gas production exceeds pipeline takeaway capacity mean there is a high degree of pent-up demand for additional capacity that will be provided by

Pembina's assets under development once commissioned.

Brookfield Property Partners ([TSX:BPY.UN](#))(NASDAQ:BPY)

This is **Brookfield Asset Management's** primary vehicle for making real estate investments and functions as a real estate investment trust (REIT); it owns a 53% controlling interest in the REIT. Brookfield Property has raised its distribution for the last six years straight to yield a very juicy 6.6%.

While that tasty yield and regularly growing dividend is the principal reason for buying Brookfield Property, the fact that it is trading at around a 30% discount to its book value indicates that there is tremendous upside ahead for investors.

The trust has a proven history of growth, reporting between 2014 and 2018 an 8% compound annual growth rate (CAGR) for its funds from operations (FFO) and 6% for its distribution. The significantly diversified nature of Brookfield Property's portfolio, which is distributed across Canada, the U.S., Brazil, Australia, India, China, and Western Europe, not only enhances growth but helps to protect against a downturn in any single market.

Brookfield Property's earnings will continue to grow as it continues working on its large portfolio of properties under development.

Capital Power ([TSX:CPX](#))

Electric utilities like Capital Power possess an almost impenetrable economic moat because of the steep regulatory and capital requirements to enter the industry. The company has hiked its dividend for the last five years to yield a juicy 6%. This can be attributed to its stable earnings and steady growth because of the inelastic demand for electricity and contracted nature of its revenue.

Capital Power is in the process of transitioning its plants from coal to natural gas and has 5,100 megawatts (MW) of installed capacity across Canada and the U.S. with a focus on Alberta. The electric utility announced at the end of April 2019 that it had entered a \$977 million agreement to acquire the 875-megawatt (MW) Goreway natural gas-fired powerplant in Ontario.

Capital Power has also been actively bolstering its exposure to renewable electricity assets. It has wind, solar, and waste fueled power plants with 789 MW of capacity across Canada and the U.S. and is in the process of constructing 350 MW of wind facilities; it is anticipated they will be commissioned by March 2020. There is another 2,250 MW of potential wind and solar developments under consideration plus more than 3,500 MW of natural gas-fired projects also being evaluated.

That, along with rising demand for electricity and hence prices, will support further solid earnings growth.

For the first quarter 2019, adjusted EBITDA shot up by 13% compared to a year earlier to \$202 million, while net income rose by a very healthy 54% to \$60 million. That notable performance leaves Capital Power well positioned to meet the upper end of its 2019 guidance, bolstering the likelihood of yet another dividend hike for investors.

CATEGORY

1. Dividend Stocks
2. Investing

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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:CPX (Capital Power Corporation)
4. TSX:PPL (Pembina Pipeline Corporation)

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