



## 1 Top Stock Yielding 5% That Belongs in Every Portfolio

### Description

Looking to boost your income, access the benefits of compounding, and own a stock with a rare mix of solid growth and defensive credentials? Look no further than **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), which offers the opportunity to invest in what has traditionally been a difficult-to-access asset class: [infrastructure](#). The partnership pays a regularly growing and sustainable distribution yielding 5%, which it has hiked for the last 11 years straight. The sustainability is enhanced by the partnership's strong, defensive characteristics and proven ability to grow earnings.

### Solid growth

Brookfield Infrastructure operates a globally diversified portfolio of infrastructure, which is critical to almost all forms of economic activity, meaning that demand for the utilization of its infrastructure is inelastic regardless of the economic cycle. The significant amount of capital required to acquire that type of infrastructure, along with significant regulation and other steep barriers to entry, means that the partnership operates in oligopolistic markets. This further protects its earnings by allowing it, to an extent, to be a price maker rather than price taker, while further limiting competition and the threat that poses to earnings growth.

For these reasons, along with a steadily improving global economy, Brookfield Infrastructure reported some solid [first-quarter](#) 2019 numbers. While net income fell sharply to US\$30 million, or a third of what it was a year earlier, funds from operations (FFO), which is a better indication of the partnership's performance, rose by a pleasing 5% to US\$351 million. That improved FFO was driven by Brookfield Infrastructure's energy, transport, and data infrastructure businesses.

The partnership's earnings will continue to grow. During the first quarter, it was in the process of closing a range of transactions, including the \$4.3 billion acquisition of **Enbridge's** western Canadian natural gas gathering and processing assets, which is expected to close during the third quarter 2019. Brookfield Infrastructure also completed the acquisition of a leading South American data centre business and an Indian natural gas pipeline during the first quarter.

The partnership also expects to raise around US\$130 million from the sale of its European port

operations, the proceeds of which can be used to reduce debt or to make further acquisitions. This forms an important part of Brookfield Infrastructure's proven capital-recycling strategy, which has been a key part of its ability to successfully unlock value for investors. That has been a key driver of the partnership's strong FFO growth, which has had a compound annual growth rate (CAGR) of 16% since 2019 and has supported the regular distribution hikes, which have had a CAGR of 10% over the same period.

This emphasizes why Brookfield Infrastructure is such a powerful investment for building wealth.

## Foolish takeaway

By reinvesting the regularly growing distributions in the partnership, investors can unleash the power of compounding, which, over the long term, allows them to maximize returns and achieve their goals faster. If you had invested \$10,000 in Brookfield Infrastructure 10 years ago and reinvested the distributions, that investment would now be worth \$72,000 compared to \$58,000 if the distributions had of been taken as cash. That equates to a total return of 618% or 23% annually, which is well above the yields offered by government bonds of guaranteed investment certificates.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Dividend Stocks
2. Investing

### Date

2025/07/07

### Date Created

2019/06/28

### Author

mattsmith

default watermark