



A Must-Have Dividend Stock in Every Portfolio

Description

Want to beat the market? Want income? Want growth? **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has it all.

Excuse me if this sounds like a marketing pitch. In all honesty, I'm just a happy shareholder who wants to share information about the great company.

BIP outperforms the market and its peers

The 10-year annualized total returns for BIP is a whopping 26%! That's more than three times the Canadian market's average return of 7%. The industry (using Canadian and U.S. utility indices as proxies) in the period generated returns of 5-10% per year. So, BIP more than doubled the industry returns.

There are several reasons for Brookfield Infrastructure's outperformance. When it was spun off from **Brookfield Asset Management** about a decade ago, it was relatively unknown.

Additionally, the broad majority of investors avoided limited partnerships because the taxation of its cash distributions is a little more complex than eligible dividends.

As time went on, investors learned more about the business and saw the obviously incredible results. And they jumped on the bandwagon.

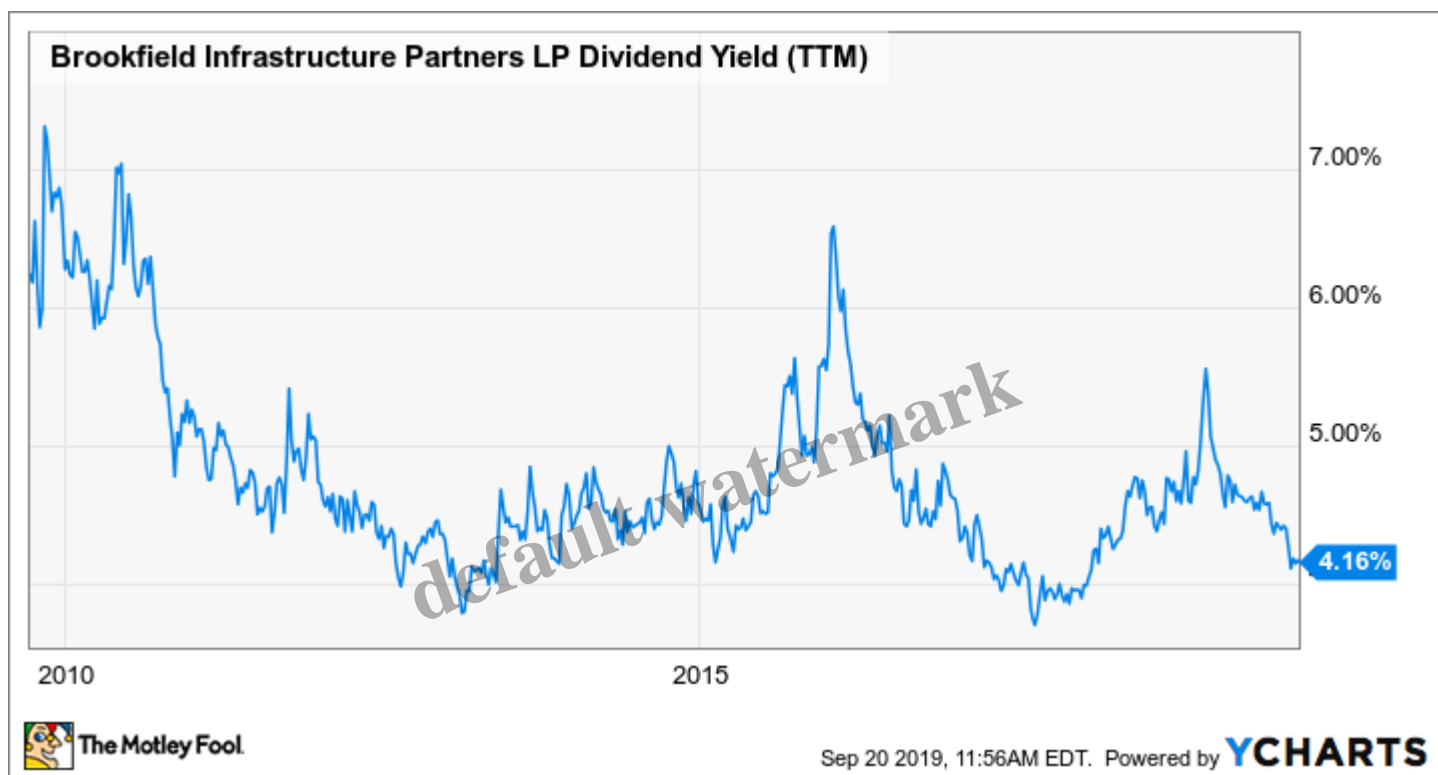
Moreover, investors also realized that they could buy the stock in registered accounts, including TFSA's, RRSP's/RRIF's, RESP, and RDSP's to avoid the taxation hurdle.

Oh, and the fact that it earns U.S. dollars helped with boosting the returns, too, because the greenback has strengthened 21% against the loonie from 10 years ago.

Get income from the quality utility

[Utilities](#) should be a core part of every portfolio. It brings stability, income, and stable growth. In the case of BIP, it has been a high-growth story.

In the last 10 years, Brookfield Infrastructure's yield has ranged between roughly 4% and 7% but mostly in the 4-5.5% range.



BIP Dividend Yield (TTM) data by YCharts.

Its 10-year distribution-growth rate is 11%. Going forward, management aims to increase the cash distribution by 5-9% per year, which would still be an excellent growth rate for a utility.

Notably, BIP pays a U.S. dollar-denominated cash distribution. So, Canadian investors who receive the cash distribution in Canadian dollars will get bumpy income due to the foreign exchange fluctuation. However, that shouldn't deter you from investing in a great company.

Currently, BIP is good for a yield of 4.2%.

Get growth from BIP

Brookfield Infrastructure's amazing total returns and dividend growth is supported by the underlying growth of the business. While it increased its cash distribution per share at an average rate of 11% in the past 10 years, it has increased its funds from operations (FFO) per share by 18% per year. Consequently, its payout ratio has improved as well, leading to a safer dividend.

The strong growth is attributed to management's value investing approach and its experience in operating the underlying assets. Management will acquire high-quality assets when they're well valued or it can add value through its operating expertise. It will also sell mature assets to redeploy proceeds into better investment opportunities.

The global infrastructure sector is in a secular growth trend. As a large player in the global space, BIP is set to grow for decades to come. To get a sense of BIP's diversity, it generates about 30% of its FFO from North America, 25% in South America, 25% in Asia, and 20% in Europe, and it has utility, transport, energy, and data infrastructure assets.

One more thing

[BIP stock](#) is about fairly valued today. Long-term accounts can consider buying some shares. If you seek a bigger margin of safety, wait for a 7-10% pullback before pulling the trigger.

CATEGORY

1. Dividend Stocks
2. Investing
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2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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