



1 Top Canadian Dividend Stock Yielding 4% to Buy During the Market Crash

Description

Fear related to the global spread of the coronavirus and its impact on economic growth continues to drive markets lower. The **Dow Jones Industrial** plummeted 10% last week suffering one of its largest declines since the 2008 financial crisis. The TSX also slid lower to see the **S&P/TSX Composite Index** marked down by 3%.

One of the hardest hit stocks on the TSX was **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), which lost 6% last week. This was driven mainly by fears that China's GDP growth will slow materially, with some analysts forecasting that it could be as low as 5% or significantly less than the 6.1% reported for 2019. That would have a sharp impact on the global economy and could spark a major recession and financial crisis. Bank of America has predicted that global GDP growth will fall to 2.8%, its lowest rate since the Great Recession ended in 2009.

Weak short-term outlook

It is easy to see why Brookfield Infrastructure was roughly handled by the market. The global infrastructure giant has considerable direct and indirect exposure to China with much of the demand for its infrastructure driven by economic growth, particularly Brookfield Infrastructure's ports, railroads, and toll roads.

Nonetheless, Brookfield Infrastructure is still a top defensive stock to hedge against a market correction and subsequent bear market, which appears attractively valued after its recent dip, making now the time to buy. The partnership possesses a range of key characteristics that endow it with solid defensive credentials. Among them is the fact that Brookfield Infrastructure operates in a range of heavily regulated industries with steep barriers to entry, which not only limits competition but allows it to act as a price maker rather than price taker, increasing the certainty of its earnings.

Brookfield Infrastructure's business is highly diversified both globally across North and South America, Europe, and the Asia Pacific, giving it exposure to a range of developed and emerging markets. Its operations are also diversified across a range of counterparties as well as economic sectors, including telecommunication and data infrastructure, utilities, transport, and energy. Brookfield Infrastructure

generates 95% of its revenue from contracted or regulated sources, and 75% of its revenue is inflation linked, ensuring that it will continue to grow, even if the economy slows.

Those qualities further shield Brookfield Infrastructure's earnings from an economic downturn while enhancing its growth prospects.

The critical nature of much of the infrastructure assets owned by Brookfield Infrastructure combined with the growing global infrastructure gap, which is expected to reach US\$15 trillion by 2040, means that demand for the utilization of its assets is relatively inelastic. That makes it resistant to economic downturns and further increases the certainty of its earnings. Both of those factors will also act as powerful tailwinds for Brookfield Infrastructure's earnings over the long term.

The partnership's strategy of capital recycling, where it sells mature assets and then uses the proceeds to acquire attractively valued businesses, has acted as a powerful [growth driver](#) for Brookfield Infrastructure. Between 2015 and 2019, revenue had a compound annual growth rate (CAGR) of 14%, while it was 13% for EBITDA. Meanwhile, over the decade, from 2009 to 2019, funds from operations (FFO) had an impressive CAGR of 17% to see Brookfield Infrastructure reporting 2019 FFO of US\$3.40 per unit.

Brookfield Infrastructure's appeal as a defensive stock is further enhanced by its low volatility, evident from its beta of 0.77, highlighting that it is significantly less volatile than many stocks and the overall market.

The partnership pays a regular and sustainable quarterly distribution, which it has hiked for the last 12 years straight to be yield a tasty 4%. There is every indication that Brookfield Infrastructure will continue to reward loyal unitholders with further annual increases, allowing them to enjoy an ever-growing passive-income stream regardless of the stock market's overall performance.

Foolish takeaway

The latest dip in Brookfield Infrastructure's market value has created an opportunity to acquire a [quality defensive stock](#) which possesses solid growth prospects that will deliver considerable value over the long term. For these reasons, now is the time to add Brookfield Infrastructure to your portfolio.

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.)

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