



This Is 1 of the Best Recession-Proof Stocks in Canada

Description

For long-term investors, it's important to keep some of the [best dividend stocks](#) in their portfolios — stocks that can withstand a recession and continue to pay steadily rising income.

It's not that hard to find such stocks. And the best way to do that is to look for companies that have strong cash flows, a wide economic moat, and a manageable level of debt on their balance sheets.

After screening the large universe of dividend stocks, I have found Toronto-based **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) as one of the best candidates to fit in this investing strategy.

Diversified assets

BIP owns and operates utilities, transport, energy, and communications infrastructure companies globally. BIP manages about US\$30 billion portfolio with assets spanning five continents.

The company manages utilities and power transmission systems in North and South America, 37 ports in North America, the U.K., Australia, and Europe, approximately 3,800 kilometres of toll roads in South America and India, and large rail operations in Australia and South America.

Due to this diversified nature of its operations, its stock is weathering the current market downturn, triggered by the COVID-19 pandemic, much better than many other income stocks. Trading at \$56.75 a share, it's down just 4% for the year when the benchmark **S&P/TSX Composite Index** has lost 11%.

Essential services

In a letter addressed to investors this month, CEO Sam Pollock said that every operating business owned by Brookfield Infrastructure was deemed an essential service and thus has been operating throughout the lockdown period.

“Our experience to date has shown that our utility, data and energy assets, which generate approximately 70% of our funds from operations (FFO), will be only modestly affected by the current

environment,” he said.

“Our transportation infrastructure assets are experiencing near-term volume related variations due to the shutdown measures but the diversity and quality of these assets across rail, roads and ports is minimizing the overall impact to the company.”

According to Brookfield, its strategy is to acquire high-quality businesses on a value basis, actively manage operations, and opportunistically sell assets to reinvest capital into the business.

Last year, Brookfield bought Genesee & Wyoming Inc. through a consortium for about US\$6.3 billion, expanding its global portfolio of rail companies.

With all these acquisitions in the infrastructure space, the company’s main objective is to generate a long-term return of 12-15% on equity and provide sustainable distributions for investors while targeting annual distribution growth of 5-9%.

Looking at Brookfield stock’s performance during the past five years, it’s obvious that the company has been quite successful in achieving its goals. BIP stock has delivered 73% return, including dividends, during that time, when the benchmark index produced just 0.6% growth.

Bottom line

With its diversified assets and strong dividend growth, [BIP is one of the best stocks](#) to buy in this recession. The stock yields 4.8% per annum, making it an attractive candidate for long-term investors.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

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