



3 Reasons I'll Never Sell This +4% Dividend Stock

Description

I can't see my future portfolio without any **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). It is the best-quality utility on the **TSX**, and accordingly, it has outperformed its peers since its inception.

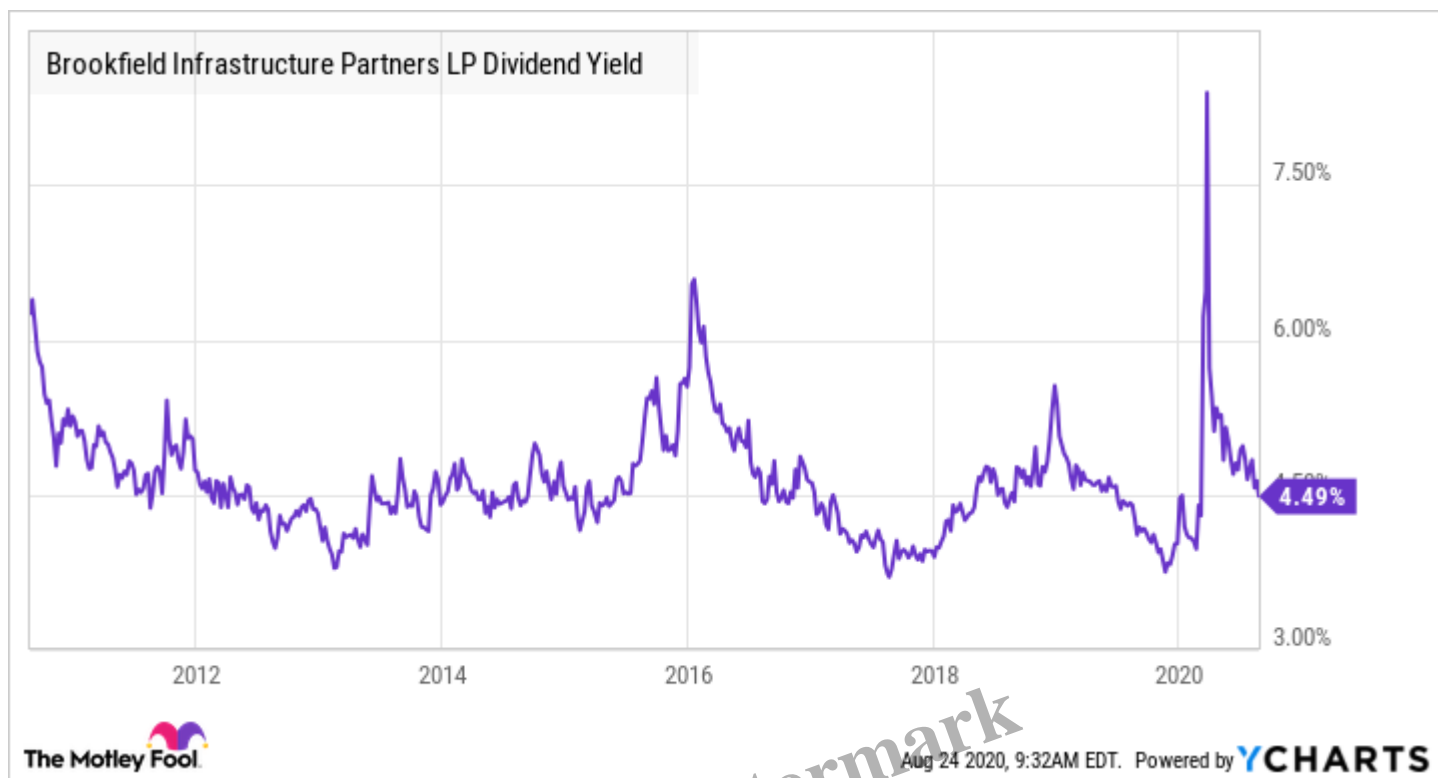
It recently spun off a corporation version of the stock under the TSX:BIPC and NYSE:BIPC tickers that are even more popular, as investors have bid up the shares to a 15% premium to BIP units, likely due to BIPC's simpler tax reporting for the dividend.

However, if you hold BIP.UN limited partnership units in your Tax-Free Savings Account (TFSA) or RRSP like I do, there's no need to buy the more expensive BIPC shares, as they are essentially economically equivalent and provide the same payout.

The dividend stock pays good income

Brookfield Infrastructure stock has paid an increasing cash distribution in the last 12 consecutive years since it was spun off from **Brookfield Asset Management**.

Its yield range in the past 10 years indicates that the utility stock has never strayed far away from a 4% yield. This means that unitholders can [get good income](#) from their investment while enjoying steady price appreciation.



BIP Dividend Yield data by YCharts

The stock's five-year dividend growth rate is 9.4%. Going forward, management aims to increase the cash distribution by about 5-9% per year. The midpoint would be a 7% growth rate, which is still very attractive for a Steady Eddie utility.

The utility stock outperforms

BIP's consistent dividend in the 4%-yield range and stable growth will lead to outperformance, as it has in the past.

The following drives the quality stock's long-term upward trend.

BIP's existing portfolio of quality, long-life infrastructure assets generate largely predictable cash flow that is indexed to inflation, which is an internal growth driver.

The proven management team, which includes 16 managing partners, has an average of 21 years of experience in the space. The team has led BIP's funds-from-operations growth of about 15% per year over the past 11 years, which resulted in total returns of close to 20% per year, in the period, on the TSX.

After acquiring quality assets at good valuations, the team improves the operations and sells mature assets for extraordinary returns.

Brookfield Infrastructure offers plenty of diversification

A key component of managing your portfolio is making sure it's diversified properly. Some investors own shares in all [the Big Six Canadian banks](#).

In my humble opinion, I think that's overkill because the bank stocks move in tandem. Investors might as well seek to own the highest-quality banks for the long-term or trade the most undervalued ones when given the opportunity.

Brookfield Infrastructure offers plenty of diversification. It's many companies combined into one. If I could only own one utility forever, I'd choose BIP.

The company is geographically diversified with infrastructure assets in North and South America, Europe, and Asia Pacific. It also owns assets across four key sectors of utility, transport, energy, and data infrastructure.

Within the sectors, it has assets across 10 operating groups, including areas such as energy distribution, rail, and power transmission, etc.

The Foolish takeaway

Brookfield Infrastructure Partners offers a nice yield of about 4.3% thanks to its paying out a U.S. dollar-denominated cash distribution. Given the nature of its essential services that have built-in organic growth, it will increase its cash flow and dividends consistently for many years to come.

The stock is fairly valued for a starter position for investors who don't own any shares. Any meaningful dips of at least 7% would be an excellent time to add to the position.

I'm keeping the blue-chip dividend stock as a core holding in my long-term portfolio. What about you?

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

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

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1. Business Insider
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