

## Why Brookfield Infrastructure Partners L.P. Is a Key Addition to Every Portfolio

### Description

The dependence of the global economy on major infrastructure assets and their key role in economic growth makes them an appealing investment opportunity. While they are not totally risk-free, they are at the lower end of the risk spectrum when compared to many other investments. I believe one of the best ways to gain exposure to this lucrative sector is through **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

### So what?

One aspect of Brookfield Infrastructure Partners business that I really like is its global portfolio of major infrastructure assets in both developed and emerging economies. This includes utilities and transportation assets in North America, South America, Europe, and Australia, as well as energy assets in North America, Europe, and Australia.

Such a high level of diversification reduces its dependence on any single economy or industry, allowing Brookfield Infrastructure Partners to mitigate much of the economic and geopolitical risk we are currently witnessing. This also allows it to capitalize on the strengths of those individual economies, particularly emerging economies that have far higher growth potential than developed economies.

This in turn has allowed it to produce consistently outstanding results in recent years despite the global economic headwinds that have been witnessed.

Another appealing aspect of its operations is that its business is difficult to replicate. Investing in and developing infrastructure assets is a costly and long-term investment, with investors having to make large capital expenditures in order to develop assets that have a long lead time to completion and generating earnings. There are also steep regulatory barriers associated with developing and operating infrastructure assets because of their important role in modern economic activity.

These give Brookfield Infrastructure Partners a wide economic moat that helps to protect its competitive advantage.

These assets, including rail links, toll roads, ports and energy utilities, are also important enablers of modern economic activity. This makes demand for their use virtually unchanging, further stabilizing earnings and boosting potential earnings growth.

For all of these reasons, Brookfield Infrastructure Partners consistently reports solid earnings and has been able to hike its annual distribution for the last six straight years. The resilience of Brookfield Infrastructure Partners' business was evident at the height of the global financial crisis, because when the majority of companies were slashing or eliminating dividends, it hiked its annual dividend by a 4% clip.

This solid history of continuing to reward investors now gives Brookfield Infrastructure Partners a tasty

yet sustainable 5% yield. More impressively, since it was spun off from **Brookfield Asset Management Inc.** in 2008 its dividend has an impressive compound annual growth rate (CAGR) of 14%. This is well above the average annual inflation rate for the same period and a significantly higher rate of return than any supposedly less risky traditional income investments like guaranteed investment certificates or government bonds.

### **Now what?**

I believe that Brookfield Infrastructure Partners is an important addition to any income-focused portfolio. Nonetheless, investors would do well to remember that while it is at the lower end of the risk spectrum, it doesn't come without risk. Key among them is the potential impact that the economic slowdown in emerging markets will have on demand for its services and consequently earnings.

A further risk is the ongoing unpredictability and volatility of global currencies as they face a resurgent U.S. dollar. However, these risks are mitigated by the strength of its operations along with the quality and globally diversified nature of its assets.

### **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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