



## Why Brookfield Infrastructure Partners L.P.'s Juicy 4.7% Yield Belongs in Every Portfolio

### Description

Growing global economic uncertainty, depressed commodity prices, and volatile markets make it essential that investors increase their exposure to defensive stocks. One of the best ways to do this is through **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). Not only does it provide a defensive hedge against uncertainty, but it is also well positioned to continue growing, with a number of tailwinds set to lift global economic growth.

### Now what?

Brookfield gives investors access to a globally diversified portfolio of infrastructure assets for energy transmission, distribution, and storage, as well as railroads, toll roads, telecommunications and ports. Each of these are vital components of modern economic activity, and demand for their use remains steady regardless of the state of the economy. In fact, many of these assets provide regulated revenue that has allowed Brookfield to lock in the majority of its cash flow. Each of these characteristics help to smooth out earnings, and in times of economic growth, virtually guarantee earnings growth.

Another important characteristic is the globally diversified nature of Brookfield's portfolio, giving investors access to a range of developed and emerging economies. This essentially means that investors can benefit from the faster growth rates associated with emerging markets as well as the stability that developed markets offer. It also helps to reduce investment risk because Brookfield is not solely dependent on one or two economies, as its portfolio of assets is distributed across five continents.

The resilience of Brookfield's business can be seen in its first-quarter 2015 results. While cash flow remained stable year over year at US\$186 million, its net income grew more than fourfold to be US\$132 million. This strong growth can be primarily attributed to higher earnings from operations.

Brookfield is committed to returning between 60% and 70% of its cash flow to investors by way of distributions, and this translates into a sustainable, juicy yield of 4.7%. It is also committed to growing

that distribution and has hiked it for the last eight years straight, with its last hike being a healthy 10% clip, well above the 5-9% it targeted.

I expect this solid rate of growth to continue because Brookfield is set to benefit from the recently closed acquisition of a 50% stake in French telecommunications tower company TDF for \$2.2 billion. This acquisition will make Brookfield profit from the explosion in demand for data and voice services among consumers.

The company also has US\$3 billion in liquidity to use for making further acquisitions that will help to support earnings growth. In fact, Brookfield is now in discussions to purchase an interest in a Brazilian toll road subsidiary as well as a stake in the Brazilian toll road, airport, and urban mobility company Invepar. This will help to further boost earnings growth and support its targeted cash flow and the distribution growth.

### **So what?**

Infrastructure may not offer the same explosive and exciting growth as other industries, but it is a low-risk investment that allows investors to hedge against volatility. These attributes, coupled with Brookfield's growth plans and generous distribution, make it an ideal defensive hedge against global economic uncertainty.

### **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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