



## Brookfield Infrastructure Partners L.P.: a Growth Opportunity With Solid Defensive Characteristics

### Description

With global financial markets in turmoil and the outlook for China growing increasingly uncertain, the time has come for investors to increase their exposure to dividend-paying, non-cyclical stocks. This will not only weatherproof their portfolios against the downturn, but also provide them with a regular income stream while they wait for the global economy to rebound.

One stock that stands out is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) because it possesses solid defensive characteristics and offers strong growth potential over the long term.

### Now what?

Brookfield Infrastructure possesses a diversified portfolio of infrastructure assets across North America, South America, Europe, and Australia. It has a wide economic moat and operates in heavily regulated oligopolistic markets. These characteristics will allow it to benefit from the global shortage of infrastructure; the Organization for Economic Cooperation and Development (OECD) estimates that an additional US\$53 trillion in infrastructure will be required globally by 2030.

This is an important tailwind that can only benefit Brookfield Infrastructure for some time.

Furthermore, it has made no secret of its plans to expand its operational footprint and portfolio of infrastructure assets through acquisitions, one of the most significant being the recently agreed upon purchase of Australian stevedoring and transportation company **Asciano Ltd.** with the transaction including the assumption of debt valued at about US\$8.6 billion.

Of this, Brookfield Infrastructure will contribute US\$2.8 billion for a 55% stake in the company while its partners will provide the remaining required funding. This acquisition is highly accretive because Asciano operates in a number of highly regulated oligopolistic markets and possesses a range of port and rail assets that fit well with Brookfield Infrastructure's existing Australian operations.

These include container terminal operations in the cities of Sydney, Melbourne, Brisbane, and Perth as

well as national rail haulage operations comprised of 664 locomotives and over 14,000 wagons with the capacity to haul 180 million tonnes of freight.

The recent devaluation of the Australian dollar has helped Brookfield Infrastructure to complete this acquisition at an attractive price.

This will boost Brookfield Infrastructure's growth prospects and give it some key assets that will allow it to cash in on Asia's rapid economic growth and modernization, along with its thirst for raw materials.

However, what makes Brookfield Infrastructure an attractive defensive investment in times of economic distress is that demand for the utilization of its assets remains constant. This is because ports, railways, toll roads, electricity transmission, and telecommunications transmission infrastructure remain in demand no matter how the economy is performing. Each of these assets are an integral part of modern economic activity.

Then you have Brookfield Infrastructure's wide multifaceted economic moat that arises because each of these assets operates in industries with natural monopolies because of large capital requirements, steep regulatory hurdles, and geographic saturation.

All of these factors virtually guarantee Brookfield Infrastructure's earnings and enhances its ability to grow earnings in times of economic growth.

### **So what?**

Brookfield Infrastructure is an attractive investment at this time. Not only does it offer investors a range of defensive characteristics that will allow them to weatherproof their portfolios against the coming economic storm, but it offers considerable growth potential as well.

On top of all of this you have a juicy and sustainable 5% dividend yield that will continue to reward investors while they wait for an improvement in the economic outlook.

### **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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