



2 Powerful Secular Trends Poised to Boost the Wealth of Investors

Description

A secular trend is a phenomenon that is distinctly different from the cyclical trends that shapes financial markets on a daily, weekly, or even annual basis. They are long-term phenomena that can run for years or even decades, triggering fundamental technological, societal, economic, and demographic shifts that are particularly important for investors to identify.

This is because—unlike cyclical trends—they operate independently of markets and can be highly disruptive, dramatically changing the landscape of a particular industry. Those characteristics make them powerful tailwinds for companies that are positioned to benefit from them, particularly because those trends are typically unaffected by market or economic downturns.

Now what?

One of the most important and significant secular tailwinds of the 21st century is the global shift to renewable forms of energy.

You see, governments globally are increasingly cooperating to battle global warming and are amplifying those policies aimed at removing fossil fuels from the global energy mix.

According to Clean Energy Canada, 2015 was a ground-breaking year for investment in renewable energy with a record US\$367 billion invested across solar, hydro, wind, bio-mass, and geothermal sources of energy. While this certainly doesn't bode well for the long-term outlook of oil and coal stocks, it is a powerful long-term tailwind for renewable energy companies.

One of the best-positioned renewable energy stocks to benefit from this trend is **Brookfield Renewable Energy Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)). It has a global portfolio of renewable energy assets spanning both developed and emerging markets.

A considerable proportion of its cash flows are contractually locked in, and this coupled with its wide economic moat and recent accretive acquisitions bodes well for its earnings growth. While investors wait for these strengths to boost its bottom line, they will be rewarded by that juicy but sustainable distribution yielding 6%.

The second secular trend is the phenomenon of rapidly growing wealth in emerging markets.

One region experiencing considerable economic growth as well as rapidly expanding individual and household wealth is Latin America.

The economies of many Latin American countries are growing quickly and generating considerable wealth. This is causing the volume of middle-class households and high net-worth individuals to grow at an exceptional rate. With many countries in the region lacking sufficient financial services infrastructure or an established industry offering investment and wealth management products and advice, an incredible opportunity exists for companies offering such services.

One that stands out is Canada's most international bank, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), which has invested heavily in expanding its operational footprint in Latin America. It is the fifth-largest bank in Colombia, the third-largest in Peru, and the seventh-largest in Mexico.

As a result, it obtains over a third of its net income from international banking, the majority of which comes from its operations in Latin America. This can only continue to grow as the economies of Latin America grow at a rapid rate, driving higher rates of wealth and prosperity and ultimately giving Bank of Nova Scotia's bottom line a healthy long-term bump. Then there is its regular dividend yielding a juicy 4%, which will reward patient investors while they wait for the bank to benefit from this secular trend.

So what?

Both companies are well positioned to benefit from these secular trends, which will act as powerful long-term tailwinds, driving higher earnings and acting as a bulwark against cyclical market forces. Over time, this will allow them to unlock considerable value for investors, making each stock an important growth-oriented addition to any portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)

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