

3 Reasons Why it's Time to Buy Brookfield Infrastructure Partners L.P.

Description

It is very rare to find a stock that possesses solid defensive characteristics along with strong growth prospects, but this is the case with **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

You see, because of the nature of its assets and operations, it provides investors with a hedge against the economic and political uncertainty that have the potential to trigger market corrections. These characteristics also endow it with powerful growth attributes that are resistant to downturns in the economic cycle, making it an important addition to any portfolio.

Now what?

Firstly, Brookfield Infrastructure's defensive qualities come from its ownership of a globally diversified portfolio of hard assets that provide supporting infrastructure for a range of essential social and economic activities.

These assets include utilities, electricity transmission and communications infrastructure, toll roads, railways, and ports.

Not only does the demand for these assets remain relatively consistent, even during economic downturns, but the steep barriers to entry in the industries in which Brookfield Infrastructure operates endows it with an almost insurmountable economic moat. This protects Brookfield Infrastructure from competition, virtually guarantees its earnings, and causes its value to increase over time as demand for usage grows.

Secondly, there is a drastic international shortage of basic infrastructure assets that are critical to socioeconomic development.

According to the World Economic Forum, there is a US\$1 trillion spending shortfall on basic infrastructure such as transport, power, water, and communications that is only worsening.

Existing infrastructure strains to meet demand, and this deficit can only worsen over time as the world population continues to grow. With governments unable or unwilling to make the required investment, it is up to private enterprises to fill the gap; this creates a significant growth opportunity for Brookfield Infrastructure.

In fact, it has been estimated that up to US\$78 trillion will need to be spent on infrastructure by 2025 across developed and developing economies.

Brookfield Infrastructure is well positioned to take full advantage of this trend.

Not only does it have a solid balance sheet with US\$378 million in cash on hand as of the end of the second quarter 2016, but it has the considerable financial backing of its parent, leading alternate asset manager **Brookfield Asset Management Inc.**

Finally, Brookfield Infrastructure has expanded its operations into a range of emerging markets, giving it an enviable growth profile.

While its operations in developed markets may provide stability and virtually guaranteed earnings, its businesses in the emerging markets of Brazil and India provide it with considerable growth opportunities. India has emerged to become the world's eighth fastest-growing economy, and some analysts are claiming that it is poised to become the next China as its economic development and modernization could trigger the next major commodities boom.

Brookfield is also part of a syndicate that has made an offer to acquire Australian ports, rail and logistics company **Asciano Ltd.**, and this deal is expected to be completed by the end of August 2016. Given Australia's proximity to Asia and its abundance of mining and resources, this deal will substantially expand Brookfield Infrastructure's exposure to the rapidly growing economies of Asia on completion.

So what?

It is hard to go past Brookfield Infrastructure with its combination of defensive and growth characteristics. It's not only an effective hedge against an economic slump, but it's also a company that can only grow as the demand for infrastructure increases. Then there is its juicy yield of almost 5% that will reward investors as they patiently wait for it bottom line and stock price to grow.

CATEGORY

1. Investing

TICKERS GLOBAL

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