How to Benefit From the U.S. and Mexico Turmoil

Description

Since his victory in November, Trump has stunned critics and supporters alike by doing … well, exactly what he promised he would do. When it comes to his country's third-largest trading partner, Trump's promises have so far included the building of a wall between the U.S. and Mexico (with Mexico shouldering the majority of the costs), broad border taxes on imports, and a renegotiation of NAFTA.

These contentious issues are naturally driving a wedge between the two countries with the effects most evident through the drastically weakened peso.

As economists and investors scramble to make sense of the situation, one company that is looking to jump into the fray with both feet is **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP).

A successful counter-cyclical investor

Brookfield is a counter-cyclical investor. For example, last year, when oil was trading below $50/bbl, Brookfield invested $5.2 billion in natural gas assets in scandal- and recession-plagued Brazil. Now, once again, Brookfield is greedy when others are fearful and sees the political row between the U.S. and Mexico as a buying opportunity.

According to *Bloomberg,* should Brookfield begin expanding into Mexico, it would be targeting the energy and transportation sector. Management has been meeting with government representatives there on a regular basis. Moreover, should Brookfield pull the trigger, expect an initial foray of $500 million to $1 billion dollars towards Mexican opportunities.

Strong track record of acquisitions

So how much faith can investors have that Brookfield will deliver on its targets? Well, if the company's latest earnings report is any indication, then it has nothing to worry about. For the 12 months ended December 31, Brookfield reported a 12% gain in EBITDA year over year thanks to strong performance across virtually all business segments.

Moreover, the year-over-year growth was led by gains in the energy and transportation units with funds from operations (FFO) in those segments growing 94% and 12%, respectively. Notably, these gains are a testament to management's deal-making skills, as the growth in energy came mostly through Brookfield's partnership with pipeline giant **Kinder Morgan,** while incremental infrastructure investments in Brazil, India, and Peru help drove the increases in FFO.

That being said, Brookfield is by no means content with 2016's busy schedule. With $5 billion worth of capital to deploy, we can expect the company to close its pending purchase of $1.3 billion worth of natural gas assets from **Petrobras** as well as an additional $200 million interest in telecom towers in India, while expanding on its water-infrastructure assets in Peru.

The bottom line

Brookfield has so far demonstrated strong capabilities in sniffing out opportunities in often-overlooked sources, while continuing to give back to its shareholders (Brookfield's dividends have grown 112% annualized in the past eight years). With management's admission that they already have feelers out for any opportunities in Mexico, Brookfield certainly presents an excellent way for contrarians to take advantage of the recent uncertainty.

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