



## Weatherproof Your Portfolio With This 4% Yield

### Description

In an economic and political climate riven with uncertainty, it is important for investors to hedge against the risks by investing in stocks with defensive features. A stock that stands out not only for its strong defensive characteristics, but also because of its solid growth potential is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

### Now what?

The partnership owns and operates a globally diversified portfolio of infrastructure assets that includes toll roads, ports, rail, utilities, and telecommunications towers. Like all defensive stocks, Brookfield Infrastructure possesses a wide economic moat that is enhanced by the steep barriers to entry, including regulatory impediments and the substantial capital required to enter the infrastructure business.

Nonetheless, what many investors fail to realize is that many of the markets in which it operates are oligopolistic in nature. This means that Brookfield Infrastructure can act as a price maker rather than a price taker to a point, further protecting revenues and enhancing its growth prospects.

Not only do its assets remain in demand regardless of changes in the economic cycle, but there is an increasing shortfall of investment in infrastructure globally that will act as a powerful tailwind for the partnership. It has been estimated that the deficit in investment comes to US\$800 billion annually and that the global infrastructure gap will continue widening.

More importantly, Brookfield Infrastructure remains focused on expanding its portfolio with a focus on out-of-favour industries. The latest deal was its participation in a consortium that completed the US\$5.2 billion purchase of a 90% interest in Nova Transportadora do Sudeste S.A. from Brazilian oil giant **Petrobras**.

There was a moment earlier this year when it appeared that the deal would fall through, but after some wrangling, it was successfully completed. It has given Brookfield Infrastructure a stake in a gas transportation utility that services Brazil's most populous and industrialized regions.

Brazil's market for natural gas is forecast to grow substantially by 2030 as the economy recovers from its worst slump in 100 years and increased supply comes online.

The deal is a solid addition to Brookfield Infrastructure's portfolio because it is a low-risk asset that generates strong returns. The utility operates under a stable regulatory framework with all gas volumes transported 100% contracted under long-term inflation indexed "ship-or-pay" gas transportation agreements. That means earnings from the business are guaranteed and will continue to grow.

Brookfield Infrastructure is also in the process of completing a US\$200 million investment in 40,000 telecommunications towers in India; this process is expected to be completed during the third quarter of this year. This will give it considerable exposure to what has been the world's fastest-growing major economy, which is suffering from a shortage of critical infrastructure.

The partnership is also engaged in US\$2 billion of organic growth projects, which will enhance its Brazilian toll-road operations and U.S. and U.K utilities businesses.

For these reasons, there will be a significant uptick in Brookfield Infrastructure's earnings over coming quarters as acquisitions are bedded down and internal growth initiatives are completed.

### **So what?**

Brookfield Infrastructure has to be one of the most attractive growth stocks available to investors. Its assets, wide economic moat, and contracted earnings endow it with considerable defensive characteristics, and it continues to benefit from a range of long-term growth catalysts. As investors wait for it to unlock further value, they will be rewarded by that sustainable and juicy 4% yield.

### **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.)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
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### **Date**

2025/09/30

### **Date Created**

2017/06/23

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