



This Recession-Proof Growth Stock Belongs in Every Portfolio

Description

The **S&P/TSX Composite Index** cracked the 16,000-point barrier for the first time and continues to soar to record highs. This is despite recent economic data showing that Canada's economy contracted in August by 0.1% compared to a month earlier. While that would normally trigger some jitters among investors, it appears that the optimism surrounding stocks remain strong.

Given the contradictory nature of current fundamentals and [stock valuations](#), now is the time for investors to weatherproof their portfolios by investing in stocks that perform well regardless of the state of the economy. One that stands out is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)), which owns and operates a globally diversified portfolio of infrastructure that is critical to economic activity and our daily lives.

Now what?

Third-quarter 2017 net income may have been seventh of what it was a year earlier, but funds flow from operations, which is a far more accurate measure of a business like Brookfield Infrastructure's performance, rose by an impressive 28%. The standout performer among the partnership's stable of infrastructure businesses was its utilities operations, where funds flow surged by a spectacular 67%.

That strong growth can be attributed to the US\$5.2 billion [purchase](#) of a 90% interest in a Brazilian natural gas pipeline utility from integrated energy major **Petroleo Brasileiro S.A.**, otherwise known as Petrobras. The deal bolstered Brookfield Infrastructure's exposure to Brazil, which is recovering from its worst economic slump in over a century. This was a particularly important deal for the partnership and other members of the consortium that participated, because the utility owns the infrastructure supplying natural gas to Brazil's core industrialized and most populous states.

Furthermore, demand for natural gas in Brazil is expected to grow strongly in coming years, driven by the South American nation's economic recovery as well as increased industrial and residential consumption. The deal gave Brookfield Infrastructure a steadily growing income stream, because all contracts are "ship-or-pay" and indexed to inflation with an average weighted life of 14 years.

The partnership continues to expand its business in existing and new markets. During the third quarter,

it participated in the purchase of two high-quality toll roads in India, contributing US\$100 million as Brookfield Infrastructure's share, as well as the acquisition of a Peruvian water irrigation system, where its share came to US\$15 million. Disappointingly, the much-anticipated US\$200 million investment in a portfolio of communications towers in Brazil did not proceed.

Brookfield Infrastructure's ability to identify and complete accretive deals has been one of the reasons for its strong growth. Between 2009 and now, the partnership has been able to grow funds flow from operations at a remarkable compound annual growth rate of 24% and its distribution at a healthy 12% clip.

Such solid growth has allowed Brookfield Infrastructure to reward loyal investors by hiking its distribution for the last nine years to now see it yielding an attractive 4%. After the latest deals, that strong growth can only continue, meaning that investors will be rewarded by further distribution hikes.

However, it isn't only Brookfield Infrastructure's significant growth prospects and tasty yield that make it a compelling investment. The trillion-dollar global infrastructure gap will act as a powerful tailwind for growth. It also has a wide economic moat, steep barriers to entry, and there is the fact that its infrastructure assets are crucial parts of economic activity and our daily lives. This makes it virtually recession proof and essentially immune to the fallout from economic downturns.

So what?

Brookfield Infrastructure's combination of strong growth potential and relative invulnerability to economic crises makes it a tantalizing stock for investors. For these reasons, it should be a core long-term holding in every investor's portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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