



## 1 Top Stock That Belongs in Every Portfolio

### Description

**Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) has weakened in recent weeks; the infrastructure stock is down by just over 12% for the year to date. This has created a handy entry point for investors to gain exposure to one of the best growth plays and income-producing stocks available.

### Now what?

Brookfield Infrastructure owns and operates a globally diversified portfolio of infrastructure, which is critical to economic activity. This infrastructure includes ports, railways, natural gas and electric utilities, telecommunications towers, and toll roads. The utilization of these types of assets rises substantially during times of economic growth. That means during times when global gross domestic production is expanding at a solid clip, as we are [now witnessing](#), Brookfield Infrastructure's earnings will grow at a healthy rate.

For the first quarter 2018, the partnership reported an impressive increase in funds flow from operations, which shot up by 28% year over year to US\$333 million on the back of a sharp increase in cash flow from its utilities business. Funds flow from operations for the partnership's utilities segment expanded by a notable 69%, primarily because of the additional earnings generated by its 90% interest in **Nova Transportadora do Sudeste S.A.**, a Brazilian natural gas transmission utility.

The partnership — along with its institutional partners — acquired that business in late 2017 for US\$5.2 billion. The utility owns the infrastructure supplying natural gas to Brazil's main industrialized and populous states including Rio de Janeiro, São Paulo, and Minas Gerais. It provides Brookfield Infrastructure with stable, steadily growing, almost bond-like earnings, because all volumes are 100% contracted under long-term "ship-or-pay" gas transportation agreements that are fully indexed to inflation.

As Brazil's economy bounces back from what has been described as its worst economic downturn ever, the demand for natural gas will rise, giving Brookfield Infrastructure's earnings a healthy lift. It has been estimated by the International Monetary Fund (IMF) that Brazil's economy will expand by 2.3% in

2018 and then by 2.8% for 2019 compared to 1.1% during 2017.

The marked uptick in China, especially in construction and manufacturing, also bodes well for the partnership's earnings.

You see, Brookfield infrastructure owns one of the largest coal export terminals in Australia, which is the largest single supplier of coal to China. As manufacturing and construction activity expands, the demand for stainless steel, and hence steel-making coal, will grow at a solid clip, leading to higher utilization of that asset. Beijing has also shut inefficient mines and is restricting domestic coal production, which, along with electricity shortages, has caused coal imports mainly from Australia to soar.

A similar phenomenon is occurring in India, which is developing at a rapid rate, leading to increased spending on infrastructure development, which will lead to greater demand for stainless steel and electricity.

### **So what?**

After its latest pullback, Brookfield Infrastructure is attractively valued, particularly after the quality of its assets and strong growth prospects are considered. The global shortage of critical infrastructure will act as a powerful long-term tailwind. There is every sign that as the global economic upswing gains further momentum, the partnership's earnings will grow, giving its stock a healthy boost. Over 50% of the partnership is institutionally owned, indicating that large money managers, pension funds, and hedge funds believe that Brookfield Infrastructure is poised for growth. While investors wait for these gains to occur, they will be rewarded by Brookfield Infrastructure's regular and sustainable distribution, which yields just under 4%.

The partnership's combination of growth, defensive characteristics, diversified portfolio of assets, and [regular distribution](#) make Brookfield Infrastructure a core holding for every portfolio.

### **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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