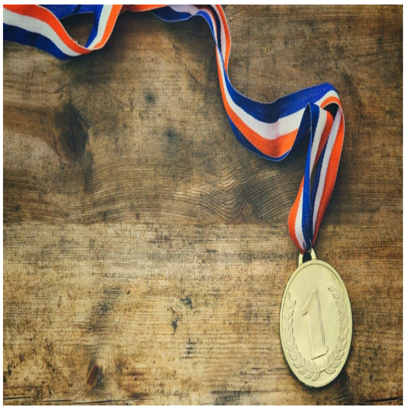

1 Top Growth Stock for 2019 and Beyond

Description

Growing signs that a full-blown trade war between the world's two largest economies the U.S. and China may have been averted bodes well for the global economy. One company that is well positioned to benefit from stronger growth is **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP), which owns a globally diversified portfolio of infrastructure assets that are critical to economic activity. That means as the economy expands, so to too will demand for the utilization of its assets and hence earnings.

Strong growth ahead

The partnership is poised to grow at a healthy clip for the foreseeable future because of a combination of firm global economic growth and an ever-widening infrastructure gap. While the International Monetary Fund (IMF) downgraded its expectations for the global economy in 2019, there are signs that gross domestic product (GDP) will still expand at a decent clip now that China and the U.S. are negotiating to avoid a trade war.

The global infrastructure gap continues to widen as the population and economy expands. This is being exacerbated by a lack of investment, notably by governments that are — after the global financial crisis a decade ago — significantly scaled back investment in public goods and services. It is unlikely that governments will boost investment anytime soon to try and address the gap because of growing fiscal pressures and the fact that many are carrying tremendous amounts of public debt.

For this reason, it will be the private sector that will be required to step in and fill the gap. Analysts estimate that there is US$1 trillion in investable capital available in private hands waiting to be deployed for investment in infrastructure globally, and this creates a powerful growth opportunity for Brookfield Infrastructure.

The partnership has demonstrated that it is adept at identifying attractively valued assets that possess strong growth potential and recycling capital from mature investments into new opportunities. Those talents have allowed Brookfield Infrastructure to grow at a solid clip with its funds flow from operations growing by 9% annually since the start of this decade.

There is every sign that such strong growth will continue. The global infrastructure gap — along with a robust global economy — will trigger greater demand for the utilization of Brookfield Infrastructure's existing assets, while its plans to divest mature assets and acquire new businesses will enhance growth. The partnership recently deployed US$1.8 billion to acquire six businesses, including a Colombian natural gas distribution utility, U.S. and South American data centres, a natural gas-processing asset in Canada, an Indian natural gas transmission business, and a North American residential energy infrastructure business.

Why buy Brookfield Infrastructure?

Those deals will assure that Brookfield Infrastructure's earnings continues to grow at a solid rate, thereby further supporting additional distribution hikes. The partnership has an impressive history of paying distributions which have grown by 160% in value since 2010 to see it rewarding investors with a regular and sustainable payment yielding a very tasty 5%.

Because of steep barriers to entry, including substantial regulation and the tremendous amount of capital required to enter the infrastructure sector, Brookfield Infrastructure possesses a wide economic moat. When this is considered along with it operating in oligopolistic markets, and the fact that a large portion of its revenue comes from contracted sources, the partnership's earnings are virtually guaranteed. Those factors combined with the inelastic demand associated with the utilization of many of its assets also means that Brookfield Infrastructure is relatively immune to economic slumps and market declines, making it an ideal defensive stock.

For these reasons, Brookfield Infrastructure should be a core holding in every investor's portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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