



My Top Emerging Markets Growth Stock for 2019 and Beyond

Description

Since the U.S. economy started firing on all cylinders and returned to growth, it has been a tough time for emerging markets. A combination of a firmer U.S. dollar, rising U.S. interest rates, and weaker commodity prices have weighed heavily on many developing nations and their currencies. This it was feared a year ago would trigger a [financial crisis](#) among some of the more fiscally challenged emerging markets such as Argentina, Turkey, and Brazil.

However, it now appears that such a crisis has been avoided, and emerging markets are poised to return to growth. This couldn't come at a better time for investors because of the increasingly uncertain outlook for the TSX in the wake of the sharp pullback by the U.S. market in late 2018. Growing fears of a global economic slowdown combined with rising geopolitical uncertainty triggered a flight to safety, which bolstered the price of gold and caused stocks to fall lower across many developed markets.

Emerging markets appear attractive

What many investors don't realize is that emerging markets aren't as correlated to developed markets, meaning that the fallout from a U.S. market crash or economic downturn is not as severe. By bolstering their emerging markets exposure, they can reduce the impact of a market correction on their portfolios. Developing nations also typically enjoy higher rates of economic growth, which enhances returns.

After being punished over the course of 2018, emerging markets appear cheap in comparison to the U.S. or many other developed markets. The Dow Jones Industrial is trading at about 20 times earnings, whereas the TSX's valuation is even higher at a whopping 26 times earnings compared to a price-to-earnings ratio of 12 for the MSCI Emerging Markets Index.

Those factors indicate that now is the time for investors to boost their exposure to emerging markets. The best means of doing so is by investing in **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

The partnership owns and operates a diversified portfolio of critical infrastructure assets across developed and emerging nations, including Canada, the U.S., Australia, Western Europe, China, India,

Colombia, Chile, Peru, and Brazil. Brookfield Infrastructure's assets, which include electricity and natural gas utilities, railroads, toll roads, ports, telecommunications towers, and data centres, are critical to not only economic activity but modern living in the information age.

Over the last year Brookfield Infrastructure has lost almost 10%, creating a handy entry point for investors seeking exposure to a stock which, over the last 10 years, including dividends paid, has delivered an annual average return of around 18%.

There are signs that the partnership's strong growth will continue. It has an enviable track record of capital recycling and identifying undervalued assets with strong growth potential.

Many developing economies are returning to growth, while Beijing is implementing fiscal stimulus aimed at reinvigorating China's economy. This will lift commodity prices, giving many emerging markets a healthy bump because of their dependence on producing and exporting many commodities as a driver of economic growth. That will lead to greater demand for the utilization of Brookfield Infrastructure's assets.

A large portion of the partnership's assets operate in heavily regulated industries, which have steep barriers to entry, endowing them with a wide economic moat and thereby protecting Brookfield Infrastructure's earnings. Much of Brookfield Infrastructure's earnings also comes from contracted sources; along with Brookfield Infrastructure operating in oligopolistic markets, it can be a price maker rather than a price taker, which enhances the certainty of its revenues. This — combined with an improving global economic outlook because of increasing signs that a trade war between the U.S. and China has been [averted](#) — will boost the partnership's earnings.

That will see its value grow further and support additional distribution increases.

In fact, Brookfield Infrastructure has an enviable history of hiking its distribution, having increased it annually for the last 10 years to give it a juicy 5% yield. For the reasons discussed, the partnership will be able to continue growing its distribution at the targeted 5-9% clip.

Why buy Brookfield Infrastructure?

That very attractive yield combined with solid growth potential and the defensive characteristics created by Brookfield Infrastructure's almost unassailable economic moat make it a must-own stock that's positioned to benefit from resurgent emerging market economies.

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
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/10/01

Date Created

2019/01/12

Author

matttdsmith

default watermark

default watermark