



## 1 Recession-Proof Stock for Every Portfolio

### Description

The threat of a [global recession](#) has spooked financial markets in recent weeks. Weaker-than-expected U.S. manufacturing data combined with the ongoing trade war between the U.S. and China has magnified those fears, causing markets to tumble.

The **TSX**, which plummeted sharply on that news, has rallied and is now down by 2% over the last five days. While it's difficult to tell when a recession will occur there are a range of indicators, notably shrinking manufacturing activity across all major industrialized nations, including Germany, the U.S., China and Japan, underscoring that such an event is due.

### Global infrastructure giant

That makes now the time to recession-proof your portfolio by boosting exposure to stocks with solid defensive characteristics.

My top stock to prepare for a recession is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). Brookfield emerged from the Great Recession a decade ago in solid shape, and over the last 10 years has significantly outperformed gold.

While gold has gained a modest 42% over the last decade, Brookfield Infrastructure has delivered a stunning 570% when distributions are included, and that return soars to 756% if those payments had been used to buy additional units in the partnership.

Even more impressive is that Brookfield Infrastructure has a beta of 0.69, which indicates that it's significantly less volatile than many other stocks and the broader market.

That can be attributed to the partnership's solid defensive credentials. These include operating in highly regulated oligopolistic industries that have steep barriers to entry, the growing demand for the utilization of its infrastructure assets and the fact that most of its earnings come from regulated or contracted sources.

Those characteristics not only give Brookfield Infrastructure a wide economic moat, but also ensure that it's relatively immune to economic slumps.

You see, a large proportion of its infrastructure assets are not only vital to modern economic activity, but they also operate in industries where demand is relatively inelastic. This includes electricity and gas utilities, energy transmission, and transport infrastructure including ports, rail operations and toll roads.

Brookfield Infrastructure operates globally across a range of developed and emerging nations in North and South America, Western Europe and the Asia Pacific.

This not only ensures that it's able to capitalize on the steady growth of developed countries while benefiting from higher rates of economic expansion in developing nations, but further mitigates the impact of economic downturns on its performance.

Emerging economies typically have a lower correlation to developed markets, meaning that the impact of global recessions tends to be significantly less, thereby ensuring that Brookfield Infrastructure's earnings will continue to grow.

It is here that Brookfield Infrastructure truly stands out compared to other infrastructure and utilities stocks. The partnership has a long history of growth being generated by its capital recycling strategy and ability to make opportunistic accretive acquisitions as when they arise.

That's further enhanced by its ability to access low cost financing and the support of its parent company, **Brookfield Asset Management**.

This endows Brookfield Infrastructure with considerable growth potential, which has seen its funds flow per unit expand at compound annual growth rate (CAGR) of 18% over the last decade. That has allowed the partnership to hike its distribution for the last 11-years straight, which equates to a CAGR of 11% over the last 10 years, giving Brookfield Infrastructure a tasty 4% yield.

## Foolish takeaway

Many investors believe that gold is the ultimate safe have. While it certainly pays to have some exposure to the yellow metal, other asset classes are just as resistant to recession and have delivered better returns for investors.

For the aforementioned reasons, Brookfield Infrastructure remains a [best-in-class](#) stock that's proven itself to be recession resistant because of its utility-like qualities and solid growth prospects.

### 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.)

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