



## 2 Top Secular Growth Stocks for 2020 and Beyond

### Description

It was a rough start to 2019 with the turmoil surrounding the U.S.-China trade war weighing heavily on global economy and financial markets. The Fed's latest interest rate cut and news that the trade war could be ending have given stocks a solid boost, propelling the **S&P 500** and **S&P/TSX Composite Index** to record highs in recent weeks.

There are signs that this optimism is overdone. Weak manufacturing data for the U.S. and many other major global industrialized economies combined with indications that Germany, the Eurozone's largest economy, has slipped into recession suggest that there is further pain ahead. That has triggered considerable uncertainty over the outlook for surrounding commodities, which continues to sharply impact oil and mining stocks.

There are also fears that many major economies, including the U.S. and Canada, could slide into [recession during 2020](#). While that would have a sharp impact on financial markets and many stocks, there are some that are primed for growth regardless of the state of the global economy. These are secular growth stocks that are well positioned to benefit from a range of fundamental economic, demographic, and technological shifts.

### Leading renewable energy utility

The most prominent secular trend to emerge over the last decade is the push to renewable sources of energy. After the Paris Agreement on climate change, many governments across the globe are establishing aggressive clean energy targets and penalizing greenhouse emitters. While that is bad news for oil companies, coal miners, and electric utilities reliant on coal-fired power generation, it is a powerful long-term tailwind for **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)).

The partnership operates a globally diversified portfolio of renewable energy assets spanning North and South America, Western Europe, and Asia. It has 18,000 megawatts (MW) of capacity with 74% being generated by hydro. Brookfield Renewable has started [unlocking considerable](#) value from its portfolio for investors and is poised to benefit from a stronger economy, because of the correlation between GDP growth and demand for energy.

Recent acquisitions, including a 322-MW U.S. renewable energy portfolio, the purchase of a 200-MW wind portfolio in China, and the development of 151 MW of projects will lift electricity generation and earnings. Brookfield Renewable's re-contracting initiative, aimed at securing higher energy prices, will boost margins as well as earnings.

These factors bode well for the partnership's stock to rally further, even after gaining 67% since the start of 2019. They will also support the sustainability of Brookfield Renewable's distribution, which is yielding a juicy 4.5%.

## Diversified healthcare portfolio

Another important secular trend is the growing demand for healthcare because of rapidly aging populations and longer lifespans in many developed nations. Like any electric utility Brookfield Renewable possesses a wide economic moat and strong defensive characteristics, making it relatively immune to the fallout from the next recession. A key beneficiary of this is **Northwest Healthcare Properties REIT** ([TSX:NWH.UN](https://www.tsx.com/stocks/nwh-un)).

The REIT recently completed the transformative \$1.2 billion acquisition of Australian medical property provider **Healthscope**, which has boosted its presence in one of the world's wealthiest nations. Northwest also acquired a healthcare property in Germany and two more in the Netherlands, further boosting earnings growth. Those deals coupled with aging populations in those nations combined with inelastic demand for healthcare and greater dependence on medical facilities will drive long-term earnings growth for the REIT.

This will be further supported by Northwest's solid occupancy rate of 97.1% at the end of the third quarter 2019 and initiatives aimed at developing existing properties to generate higher rental income. These characteristics, along with the highly contracted revenues, steep barriers to entry for the industry, and growing demand for healthcare endow Northwest with solid defensive characteristics, making it resilient to an economic downturn. While investors wait for its stock to appreciate, they will be rewarded by the REIT's sustainable distribution yielding a very juicy 6.5%.

## Foolish takeaway

The long-term outlook for Brookfield Renewable and Northwest Healthcare is extremely positive. The secular trends discussed will act as powerful earnings tailwinds, while shielding both from cyclical economic forces. Over time, this will allow them to unlock considerable value for investors, making them important growth and income-producing stocks for any portfolio.

## CATEGORY

1. Investing

## **TICKERS GLOBAL**

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

## **PARTNER-FEEDS**

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