



If You're Going to Own a Brookfield Company, This Is the 1

Description

Within the Brookfield group of companies, I've tended to lean toward **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))(NYSEBIP) as the best long-term option for investing. The opportunities in the infrastructure space right now are both numerous and attractive. I think said opportunities will only get more attractive in the near term. This will only further the [investment thesis for Brookfield Infrastructure Partners](#).

Increased government spending

Both the Trump administration and Trudeau government have announced infrastructure spending bills. These bills have yet to be fully rolled out. However, current economic conditions dictate future infrastructure spending via the Canadian and American federal government may roll out such plans in a timely fashion.

The reality is that a huge infrastructure deficit exists in developed countries. This is a key driver for infrastructure players like Brookfield Infrastructure Partners. In addition, massive unemployment numbers have recently been reported. This will accelerate the need for government spending in large infrastructure projects in a bid to salvage as many jobs as possible.

Strong long-term secular growth trend

Key infrastructure projects are only going to increase in importance in the coming years. This is because replacement projects that are already, in many cases, decades overdue will be rolled out. Such projects will happen regardless of headline-seeking government packages. Just maintaining the thousands of bridges and tunnels throughout North America, never mind highways or toll road expansions, is necessary ongoing work. Companies like Brookfield Infrastructure Partners have the size and ability to manage and build such projects. Therefore, Brookfield Infrastructure Partners will be a boon for governments that need to see projects rolled out quickly.

Solid risk profile

The Brookfield portfolio of companies deals in alternative asset classes. The infrastructure fund remains my top pick of the group relative to its compatriots, mainly due to cash flow risk profile right now. **Brookfield Property Partners** and **Business Partners** are two subsidiaries with higher risk profiles right now, in my view. On the property side, office and retail real estate will be a downside anchor to otherwise strong earnings potential and solid assets.

The private equity business may have opportunities galore. However, I think any sort of investment made at this point will require approval from the parent company **Brookfield Asset Management**. The parent company's fees are likely to be impaired in the near term. This will make cash preservation a risk for a Brookfield subsidiary. Renewable investments are likely to remain strong. However, there is a similar inherent risk there.

Bottom line

The reality is Brookfield Infrastructure Partners has a very safe and durable cash flow profile. In addition, the company has a meaningful growth upside that its sister companies do not necessarily match. I like the strong secular growth underpinning this firm's core business model.

I really do believe the political need to create jobs and show up as the hero (both Trump and Trudeau aren't looking too great right now) will drive spending in this space from the near to medium term. Long term, ongoing necessary infrastructure projects will keep the cash flow streams flowing nicely. These projects will support a high but sustainable dividend payout from this long-term dividend-growth gem.

Stay Foolish, my friends.

CATEGORY

1. Investing

POST TAG

1. canada
2. coronavirus
3. infrastructure
4. recession

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

PARTNER-FEEDS

1. Business Insider
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Date

2025/08/15

Date Created

2020/05/31

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