

# Global listed infrastructure: What every investor should know

As equity markets face mounting inflation risks and stretched valuations, listed infrastructure is emerging as a compelling allocation—offering investors diversification, inflation protection, and exposure to transformative growth trends.

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## KEY TAKEAWAYS

- Infrastructure companies deliver stable, predictable cash flows from essential services. Historically, they have matched broad equity market returns while cushioning downside risk—declining less than 70% as much as global equities during market downturns.
- With minimal overlap with global equity indexes, infrastructure provides access to underrepresented sectors. Many companies have inflation-linked pricing mechanisms, enabling them to pass rising costs—whether from inflation, interest rates, or tariffs—on to customers.
- We believe infrastructure is positioned to benefit from powerful long-term trends: rising energy demand, the digital transformation of the economy and deglobalization shifting supply chain—all fueling investment across the asset class.

Global listed infrastructure is increasingly attractive to investors seeking diversification, inflation protection and long-term growth.

It spans four main categories: **utilities**, including electric, water and gas companies; **communications**, like satellites, data centers and cell towers; **transportation** assets like railways, marine ports, airports and toll roads; and finally **midstream energy**, such as energy pipeline and storage companies.

These assets are the backbone of the global economy, with an investment universe of roughly \$6 trillion by market cap.

Why should investors care about this asset class? We see three key reasons:

**First is return consistency.** Infrastructure companies typically generate stable, predictable cash flows from essential services, such as power for our homes and businesses in the case of electric utilities. Infrastructure historically has delivered returns competitive with the broad equity market. But when global stock markets decline, infrastructure experiences less than 70% of the decline, on average. That's attractive downside risk mitigation, especially in a slowing growth environment.

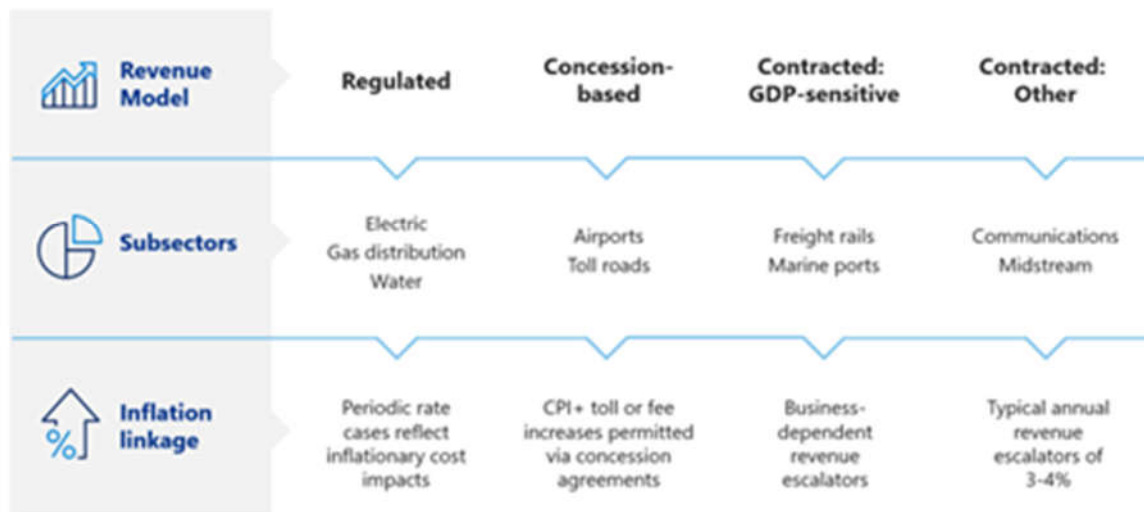
**Second, diversification.** There is very little overlap between global equity indexes and the listed infrastructure universe of companies. Infrastructure represents just 4% of global stock indexes, giving investors access to subsectors and investment themes typically under-represented in broad equity market allocations.

In addition to the downside risk mitigation I mentioned, which is a distinguishing diversifying feature, infrastructure offers higher inflation sensitivity than stocks or bonds. These companies often have inflation-

linked pricing built into their revenue models, allowing them to adjust contract prices. For instance, airport and toll road operators typically have agreements that allow service rate hikes based on fixed amounts above the inflation rate. The catalyst for higher costs in this example was inflation, but the same can be said for higher costs due to rising interest rates or tariffs. So there are mechanisms built into the contract structure for most infrastructure businesses that allow them to pass higher costs, whether from inflation, rates or tariffs, on to customers.

**Finally, the asset class offers substantial growth potential.** In developed economies, there is a growing need to upgrade existing, aging critical infrastructure. Emerging economies need to build new infrastructure to address population growth and urbanization. Add to these three powerful secular growth trends that are accelerating infrastructure spending.

## Pricing mechanisms drive inflation sensitivity



**First, rising power demand and decarbonization:** AI, electric vehicles, and data processing are fueling unprecedented demand, while renewables, now cost-competitive, are set to grow from 10% to nearly 30% of global power generation by 2040, benefiting utilities and midstream energy. **Second, digital transformation:** surging mobile data use, powered by 5G and AI, boosts opportunities for cell towers and data centers. **Third, deglobalization:** nearshoring and supply chain shifts make freight railways, ports, and airports more valuable.

As investors contend with inflation risks, as well as sky-high equity valuations in the broad market, they're seeking alternatives to traditional stocks and bonds. Global listed infrastructure is a diversifier, offering access to companies with inflation-linked stable cash flows from essential services that often remain in demand even in periods of economic downturns. Furthermore, the asset class offers exposure to transformative secular growth trends that we're excited about. Infrastructure isn't just an investment—it's a stake in our ever-evolving modern economy.

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