Infrastructure mid-year outlook: A strong first half reinforces a compelling road ahead

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Key takeaways:

- **Listed infrastructure delivered a strong first half**, returning 11.3% through July, supported by resilient essential-asset demand and investor interest in hard-asset, low-obsolescence allocations.
- **Midstream energy, electric utilities, LNG infrastructure, railways and ports led**, while airports, toll roads and communications lagged due to factors including rates, geopolitical disruption and concerns about satellite competition.
- **The long-term outlook remains constructive**, driven by digitalization, AI-related power demand, grid reliability needs and supply-chain realignment, but dispersion across sectors reinforces the case for active management.

The first half of 2026 reinforced why we believe listed infrastructure remains one of the most compelling investment opportunities in today's market.

Infrastructure returned 11.3% through July, outperforming many traditional asset classes while continuing to demonstrate the resilience investors have historically sought from essential assets.

That was especially true in the first quarter when global equity markets declined amid rising uncertainty, and government bond yields moved higher, limiting the offset bonds have historically provided during equity drawdowns.

Further, investors have gravitated towards so-called HALO assets (hard asset, low obsolescence), while questioning the sustainability of the technology sector's ascent given mounting questions regarding AI return on investment and hyperscaler funding.

Midstream energy was among the strongest performing subsectors, with oil-focused operators benefiting from expectations of rising energy production and infrastructure demand given the surge in crude prices.

Electric utilities delivered strong returns amid growing AI-driven energy demand.

Liquified natural gas-focused companies also gained, supported by a sharp rise in European gas prices.

Railways were supported by a seeming turn in the freight cycle, characterized by very strong freight volumes, while marine ports benefited from cargo re-routing.

In terms of laggards, airports lagged due to travel disruptions from the Iran war and higher jet fuel prices.

Toll roads also lagged, as rising interest rates weighed on this defensive but rate-sensitive segment.

The weakest performer was communications, and I'd like to spend a moment here.

There were two things weighing on the sector.

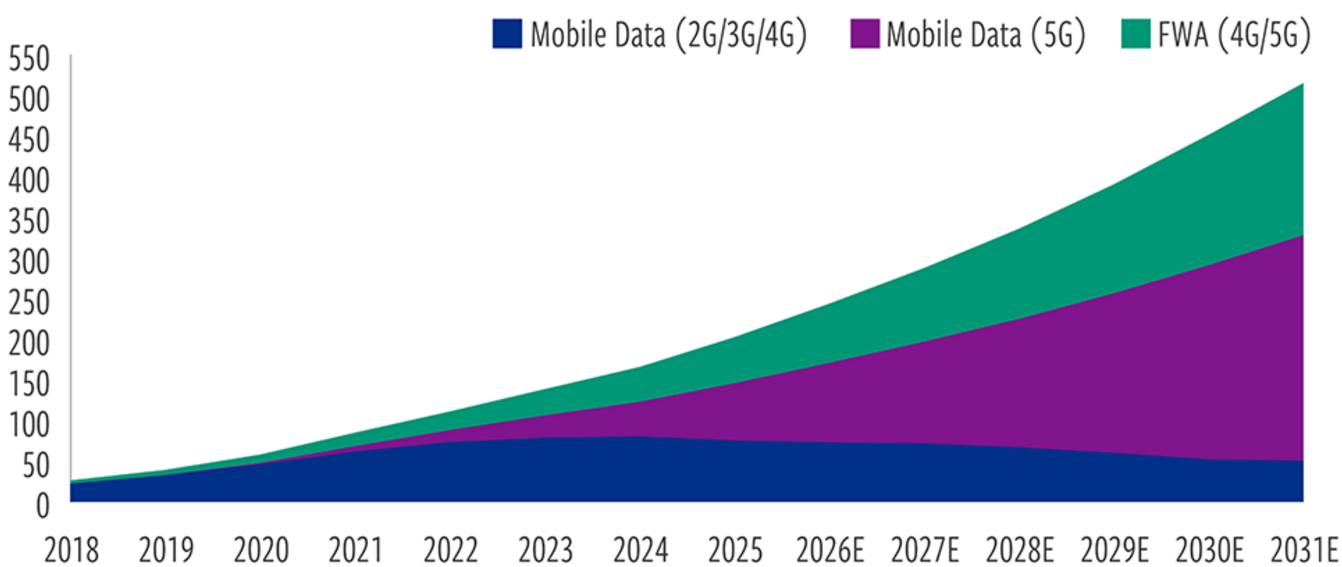
First, higher interest rates.

Second, investors have questioned whether low earth orbit satellite systems—such as Starlink—could become material competition to towers, lessening the demand for terrestrial infrastructure.

Here's our view: Mobile data demand continues to grow as consumers spend more time on connected devices and AI-powered applications drive increasingly data-intensive activity.

Towers supported by growing mobile data

Global mobile data traffic forecast – Exabytes per Month[1]



At June 30, 2026. Ericsson Mobility Report and Cohen & Steers estimates. **Data quoted represents past performance, which is no guarantee of future results.**

(1) One exabyte equals one billion gigabytes.

At the same time, valuations have reset significantly and earnings growth is expected to reaccelerate over the next several years.

And while satellite connectivity will continue to expand, we believe it complements, rather than replaces, terrestrial networks.

We believe the telecommunications networks of the future will combine space-based and terrestrial networks, with attractive investment opportunities existing in both.

Looking ahead, we believe the investment case for global listed infrastructure remains strong.

Digital transformation of economies, supply-chain realignment and rising energy demand continue to support infrastructure investment.

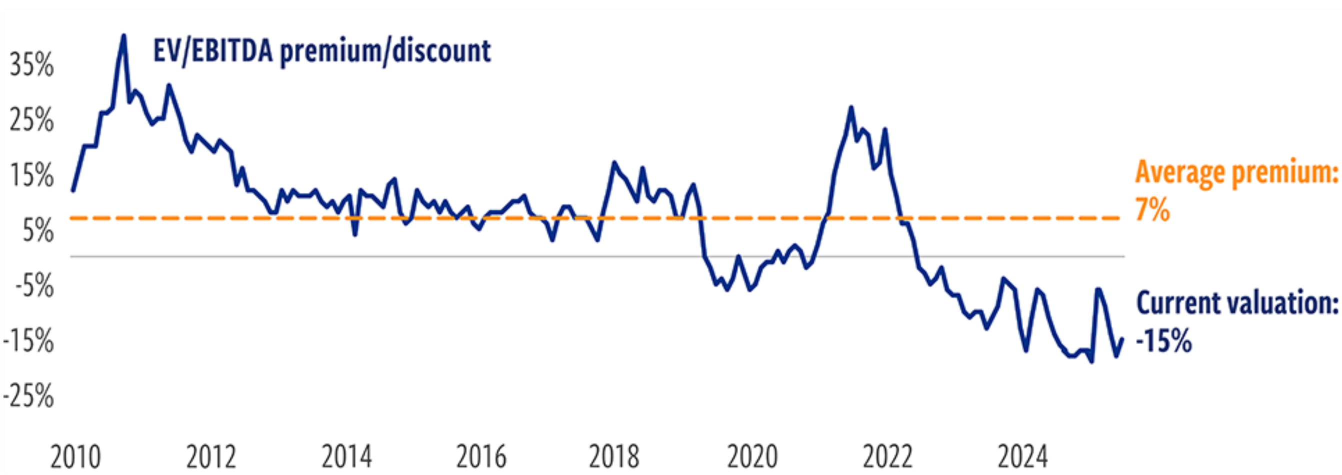
We also believe the macro backdrop remains supportive.

Economic activity has remained resilient, supporting infrastructure demand, while monetary and fiscal policy continue to provide a constructive backdrop for growth.

We also believe valuations remain attractive relative to broader equities despite strong first-half performance.

Attractive entry point for infrastructure

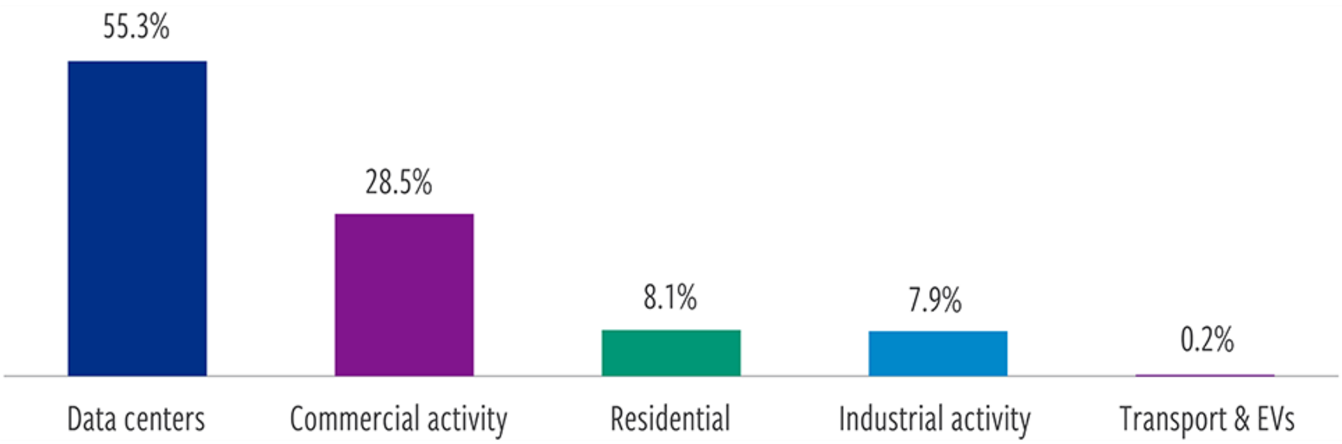
Infrastructure currently trading at a significant discount to global equities–
December 2010–June 2026



At June 30, 2026. Source: MSCI, FTSE, FactSet and Cohen & Steers.

We're particularly constructive on the long-term outlook for power demand.

AI and broader electrification will drive 3-5% U.S. power demand growth rate through 2030



At June 30, 2026. Source: Cohen & Steers. There is no guarantee that any market forecast set forth in this presentation will be realized.

AI adoption, data center growth and the need for greater grid reliability are driving significant investment needs across electric utilities, natural gas infrastructure and related energy networks.

While much of the focus has been on power demand, the continued digital transformation of the economy is also creating opportunities.

But we're also mindful that inflation risks, trade policy, and regulatory decisions, particularly amid growing concerns about affordability, can create meaningful differences across sectors and companies.

Ultimately, we believe this is an environment that rewards active management.

Index definitions and important disclosures

Infrastructure represented by the FTSE Global Core 50/50 Net Tax Index.

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