Principal Asset Management℠

Listed infrastructure perspectives

Year end trends and outlook

NOVEMBER 2025

2025: In a roller coaster year, a smoother ride for GLI

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In a year marked by macro, policy, and geopolitical shocks, global growth has remained broadly resilient. However, investor sentiment is showing signs of strain, particularly around the durability of U.S. exceptionalism. While tariff headlines have quieted from the peak, a higher average U.S. tariff rate still poses potential headwinds to inflation, labor markets, and growth. The Federal Reserve (Fed), tasked with navigating its dual mandate, cut rates by 25 bps in September amid rising labor market risks and sticky inflation. Still, U.S. equities have staged a full recovery from earlier losses, underscoring the market's ability to look through near-term noise.

Global listed infrastructure (GLI) has reasserted its value as a distinct allocation in 2025, delivering double-digit returns year-to-date and reclaiming its place among top-performing asset classes. Particularly notable was the asset class's resilience following initial tariff announcements in the spring, underscoring GLI's role as a portfolio ballast during uncertainty.

As we start to look ahead to 2026, we believe there are several conditions that support an allocation to GLI – an asset class that adds both stability and upside amidst ongoing market uncertainties:

- Relatively low sensitivity to shifts in the macroeconomic outlook
- Attractive entry point relative to broader equities, with many sectors offering upside potential
- Robust fundamentals and earnings outlooks that provide a foundation for future performance

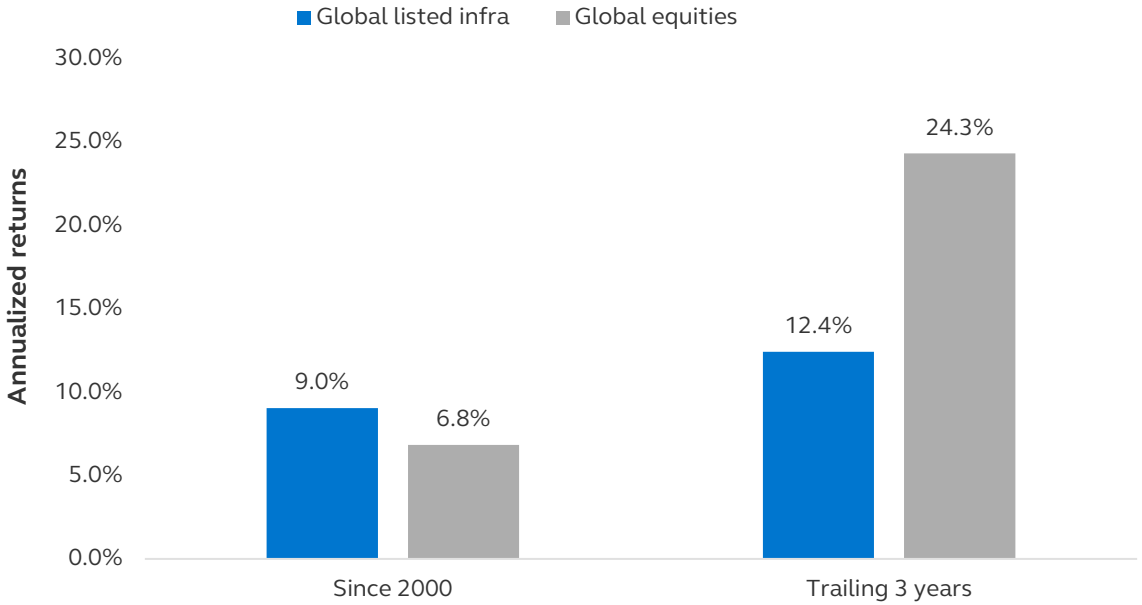
Thank you for reading our latest listed infrastructure perspectives. As investors refocus on diversifying increasingly concentrated equity exposures, we believe GLI stands out as a timely and resilient solution in today's market landscape.

Recapping 2025 to date: Positive GLI performance, shining during earlier market volatility

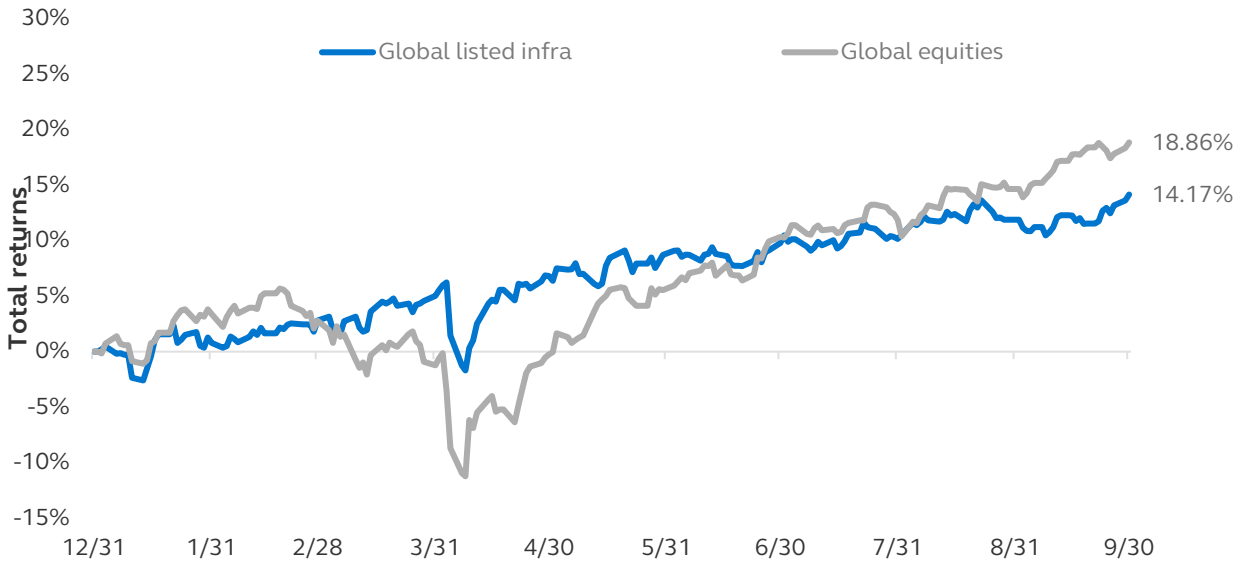
GLI has historically served as a powerful total return engine, delivering attractive risk-adjusted returns, supported by durable income streams, inflation-linked cash flows, and structural demand drivers. GLI has lagged broader equities in recent years while still posting healthy positive returns.

2025 has offered an opportunity for GLI to shine during market volatility, particularly following the 'Deep Seek' announcement in February and again in the aftermath of the “Liberation Day” tariff announcement in early April, both events which triggered a defensive rotation across markets. Investors sought out real assets for their resilience and income stability, and GLI responded accordingly. The strong performance underscores the ability of GLI to act as a stabilizing force during periods of uncertainty while still providing upside. While GLI has lagged general equity markets off the April lows, the asset class has reclaimed its spot as one of the top-performing asset classes year-to-date.

Long term outperformers, recent underperformers



Attractive returns YTD, outperforming on a risk-adjusted basis



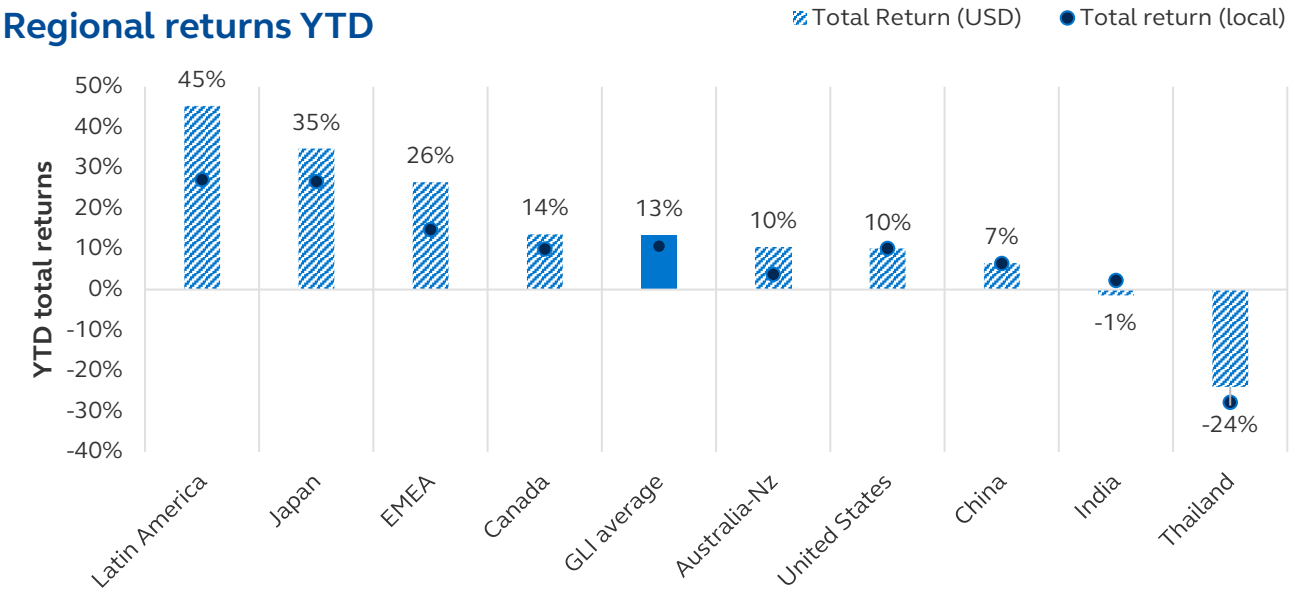
As of 30 September 2025. Source: FactSet. Returns are from the FTSE Global Core Infrastructure 50/50 (GLI), MSCI AC World (global equities) indices. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Does not represent any investment strategy.

Recapping 2025 to date: Regional dispersions and attractive sector returns

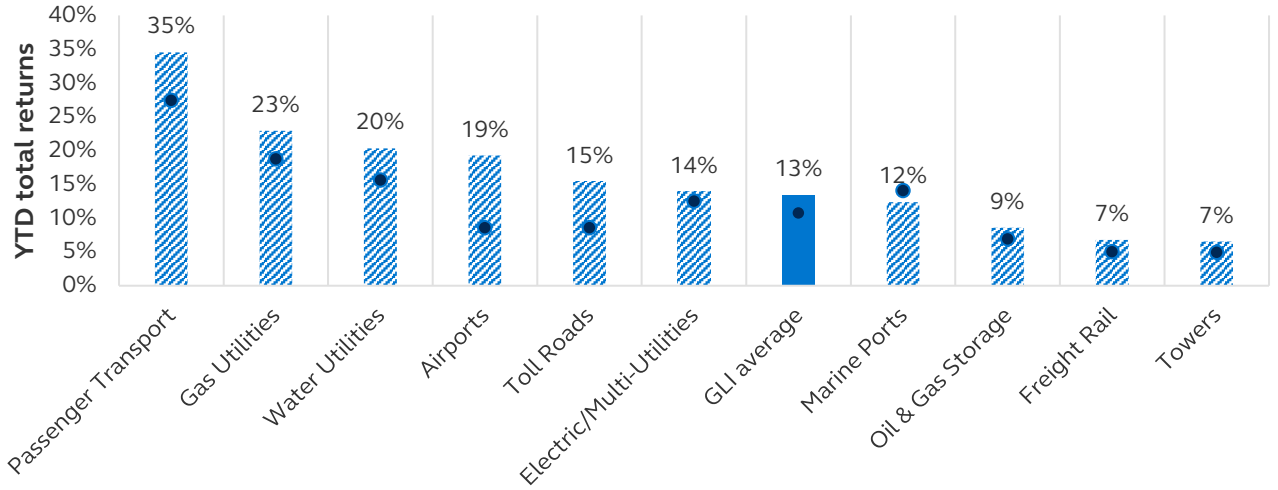
As with broader equities, U.S. infrastructure stocks have lagged many other regions year to date. The outperformance of Latin American stocks, which had been trading at significant discounts heading into this calendar year, reflects a mix of macroeconomic, political, structural, and sector dynamics, with rising demand for electricity, telecommunications, data centers, and clean energy infrastructure creating both necessity and investment upside. In Europe, expansionary policy—including Germany's €500B commitment over 12 years—have driven enthusiasm for investment, particularly in energy transition and modernization. The outperformance of these regions likely reflects some portfolio rebalancing and inflows into undervalued assets as institutional investors were underexposed to these regions going into 2025.

Utility and energy businesses alike continue to benefit from secular trends, including the energy transition and strategic autonomy in supply chains. Demand for electricity infrastructure investment is at all-time highs, and regulatory backdrops are improving, incentivizing further investment. Thailand's underperformance is fairly idiosyncratic as transportation stocks exposed to weaker Chinese tourism have struggled. While U.S. has also lagged, the outlook for natural gas remains robust, driven by new power generation to support generative AI and data center demand, as well as new liquefied natural gas export facilities and coal generation retirements. Regulated utilities are well-positioned to sign new agreements to meet data center demand, potentially driving earnings growth rates higher.

Regional returns YTD



Sector returns YTD



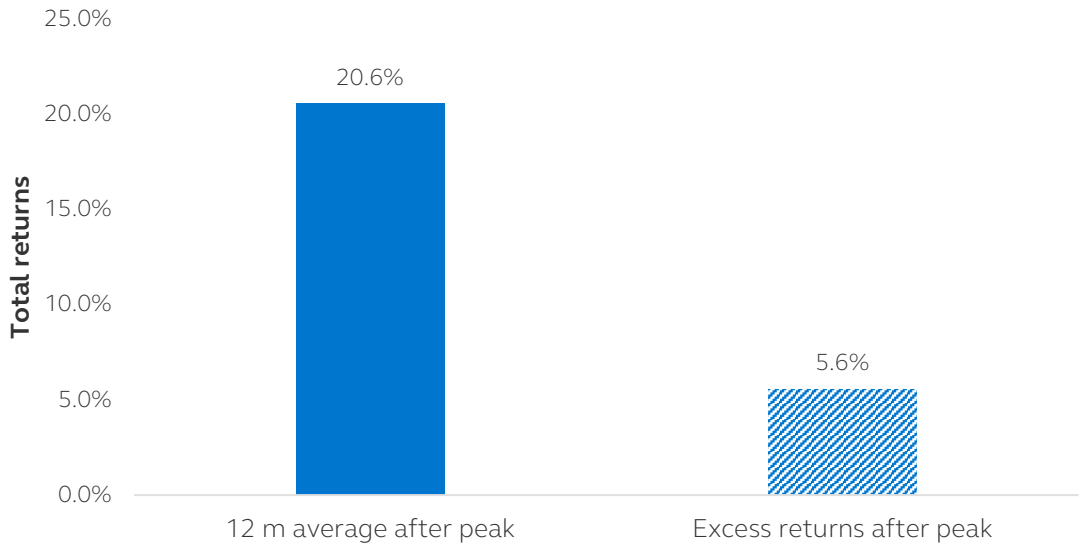
As of 30 September 2025. Source: FactSet. Returns are from the FTSE Global Core Infrastructure 50/50 Index. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Does not represent any investment strategy.

For GLI, expect continued resilience and even positive impacts in the current macroeconomic climate

GLI's sensitivity to macro shifts is nuanced, but our overall assessment is that current macro conditions offer a supportive backdrop for GLI. Slow, but positive GDP growth and softening labor markets are expected to have a neutral effect, as infrastructure assets tend to be less sensitive to employment fluctuations compared to more cyclical sectors. Fed rate cuts are a clear positive, reducing financing costs and enhancing the relative attractiveness of infrastructure yields. Inflation risks are currently viewed as neutral, with many infrastructure assets benefiting from inflation-linked revenues or regulatory frameworks that help offset rising costs. Tariffs are also considered neutral, with limited direct impact due to the essential nature of infrastructure services. Significant fiscal policy in the U.S., such as the "One Big Beautiful Bill," is a positive for GLI, expanding and extending clean energy, semiconductor, and advanced manufacturing tax credits, and encouraging onshoring of production. Open credit conditions and attractive valuations further support the sector, offering compelling entry points for investors.

Macro expectations:	Impact on GLI
Slow, but positive GDP growth	Neutral
Softening labor markets	Neutral
Fed rate cuts	Positive
Inflation risks	Neutral
Tariffs	Neutral
Big Beautiful Bill	Positive
Open credit conditions	Positive
Attractive valuations	Positive

Potentially lower yields could add further outperformance potential as it has in the past



As of 31 December 2024. Source: FactSet. Returns data is showing FTSE Global Core Infrastructure 50/50 (global listed infrastructure) average total returns and excess returns over the MSCI AC World (global equities) during the last 6 periods after real yields peaked (after a rise of 75 bps or more from the US 10Y TIPS). Plusses and minuses represent positive and negative total and excess returns, respectively. Past performance does not guarantee future results. Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index.

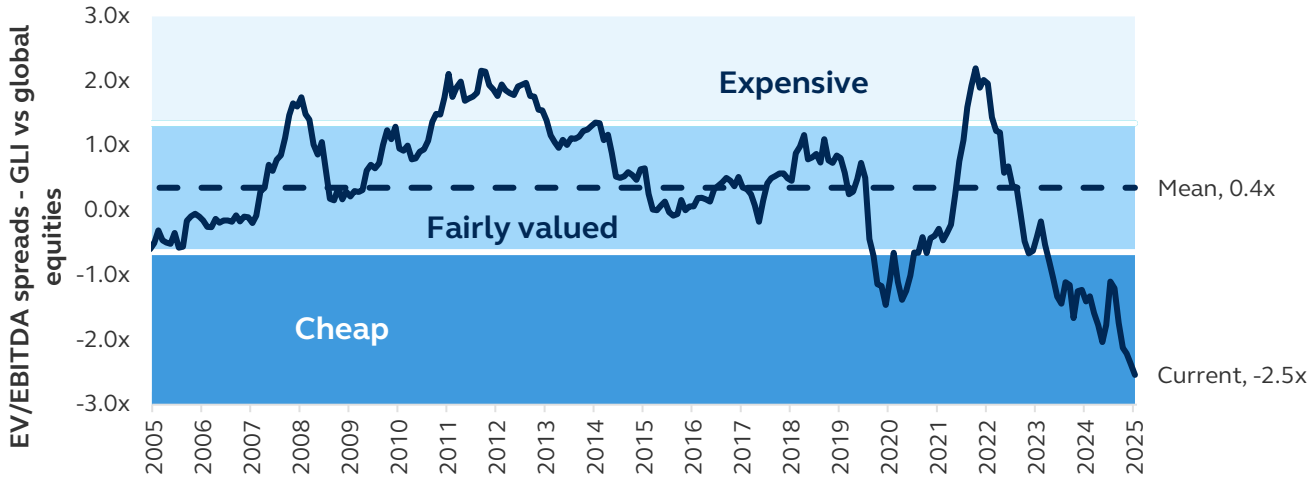
A cheap entry point into a compelling asset class

Infrastructure hasn't been this cheap relative to equities in the past 20 years as shown by EV/EBITDA price multiple spreads – levels that have historically preceded extended outperformance. We've seen some fits and starts lately – including that big spike earlier this year, when GLI significantly outperformed equities amid the volatility surrounding peak U.S. trade policy uncertainty.

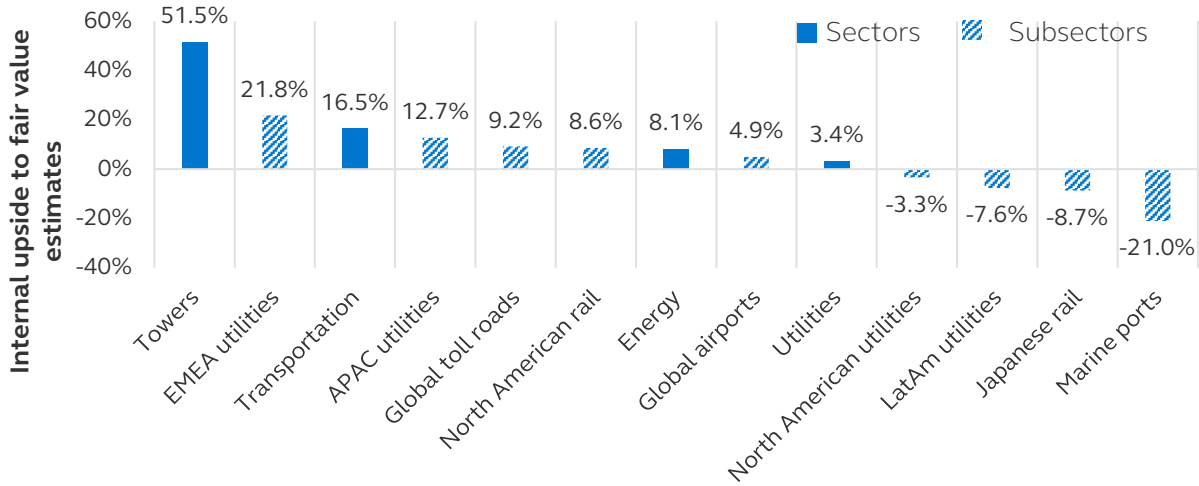
These multiples are a function not only of stock prices, but also of forward-looking EBITDA. Part of what gives us such confidence in the asset class's relative appeal at these levels is that we would argue that the probably of achieving those EBITDA levels in GLI is greater than the probability of achieving the EBITDA levels for the rest of the equity market. Other sectors could easily start to look even more expensive in a weaker economic scenario that leads to downward estimate revisions.

Within GLI, most subsectors are offering attractive upside, with our team's internal valuation estimates showing positive expected returns across a broad range of subsectors. Towers and European utilities stand out for their combination of attractive upside potential and resilient fundamentals across a range of macroeconomic outcomes. We'd highlight that after three years of challenging performance, we are finally seeing some decent upside in North American rail names. And then within most subsectors, we have plenty of opportunities to find quality businesses that offer valuation upside exceeding the sector averages.

GLI is trading at historically cheap levels relative to equities



Most sectors are offering upside potential today



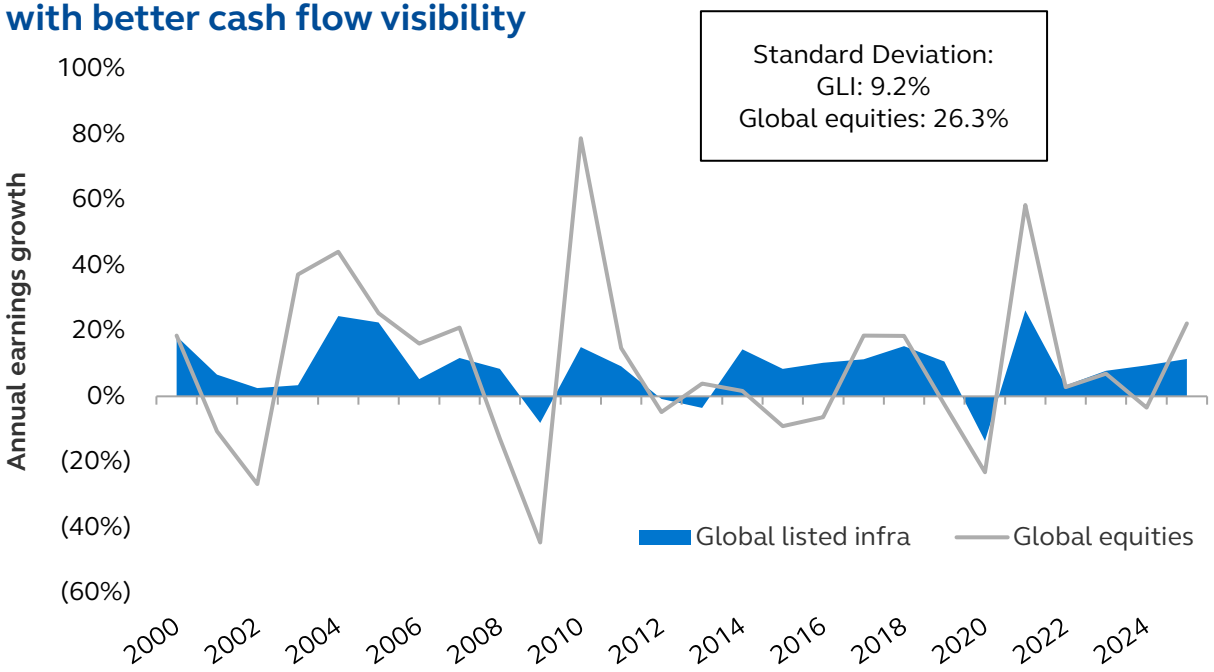
As of 30 September 2025. Source: FactSet, Principal Listed Infrastructure. First chart: Enterprise Value (EV) to EBITDA price multiples are used to measure valuations. The spread plotted is the EV/EBITDA of the FTSE EPRA/NAREIT Developed index minus the EV/EBITDA of the MSCI World index. Expensive and cheap valuations are represented by spreads higher or lower than one standard deviation from the mean, respectively. Fair value is represented by valuations between one standard deviation from the mean. The average is since 28 February 2005. Second chart: Financial metrics above are internal valuation estimates for a custom universe by sector and subsectors. The custom universe is a group of stocks defined by our investment teams that we believe to represent the named sector. Further details/information is available upon request. Chart does not represent any investment strategy or reflect fees, taxes or expenses. Past performance is not a reliable indicator of future return.

Fundamentals are robust, with positive earnings growth expectations across most sectors

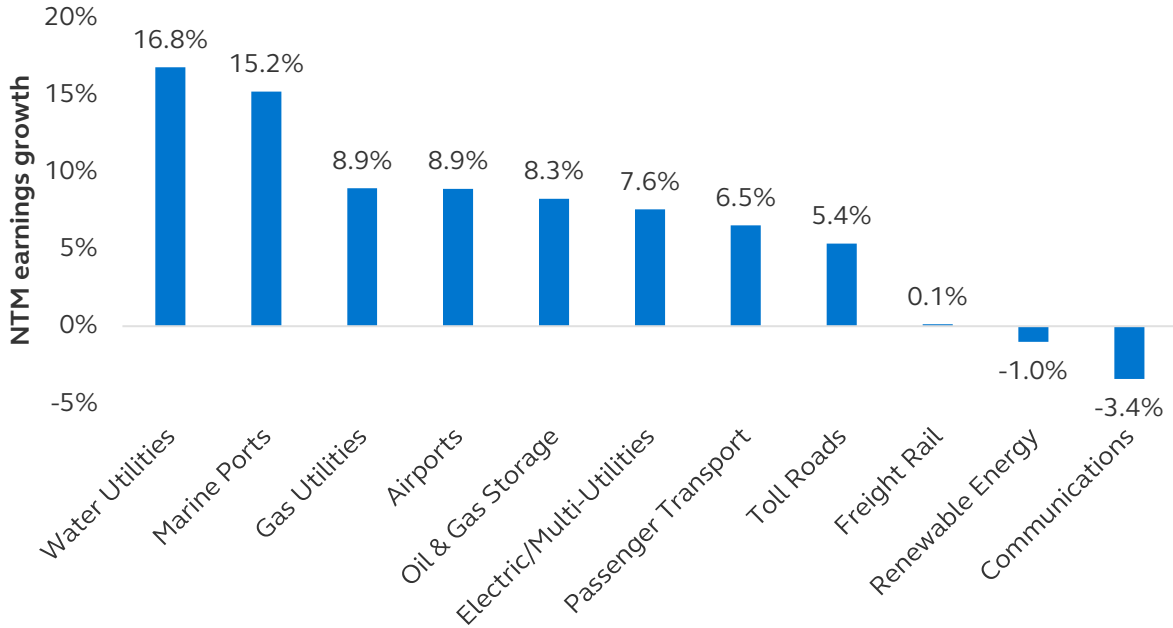
Ultimately, it is the earnings outlook and the underlying fundamentals that will determine whether today's attractive entry point into GLI translates into long-term outperformance. The asset class has historically delivered lower earnings volatility than global equities, with better cash flow visibility—a function of the essential nature of infrastructure assets. These businesses tend to have stable, inflation-linked revenue streams and long-term contracts, maintaining and growing earnings even during periods of market stress.

Nearly every major GLI subsector is expected to deliver positive earnings growth over the next twelve months. Water utilities, marine ports, gas utilities, airports, and natural gas pipelines lead the way, each with high single- or double-digit growth forecasts. As a caveat and example of the importance of active management in this space, our team has less confidence in marine ports versus consensus, given all the tariff related policy volatility. In contrast, we see upside risks for select natural gas pipeline and electric utility names. We believe the more resilient of the higher-growth subsectors, are best positioned to deliver both stability and upside in the current environment.

GLI has historically delivered lower earnings volatility with better cash flow visibility



Positive earnings growth expected across most sectors



Left chart as of 30 June 2025. Right chart as of 30 September 2025. Source: FactSet. Earnings growth from the FTSE Global Core Infrastructure 50/50 and MSCI ACWI indices. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Does not represent any investment strategy.

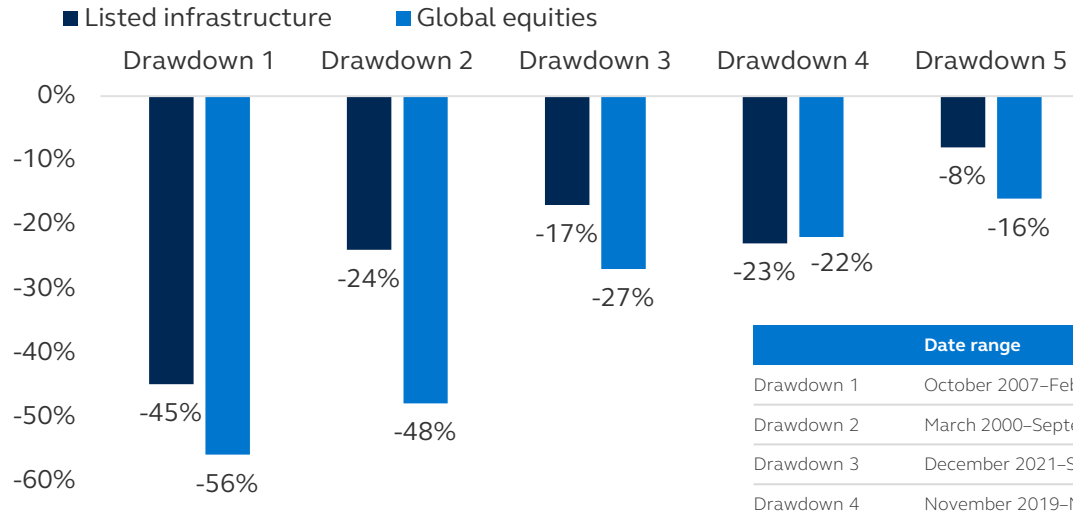
IN SUMMARY

GLI has delivered on its potential for resilient growth in 2025, reminding investors of its role in a diversified portfolio

Not only has GLI done well in this volatile year that leaned more risk-on than risk-off overall, but it's also an asset class that really shines in times of market stress. This highlights the upside appeal and downside risk mitigation of the asset class. The stable earnings and cash flow growth of listed infrastructure businesses, along with GLI's income-generating potential and inflation-linked revenue streams offer a unique value proposition in investor portfolios. These types of defensive characteristics has led to GLI's attractive track record of outperformance during large equity market drawdowns. Plus, the asset class benefits rising AI demand, increased power demand, the clean energy transition, and urbanization.

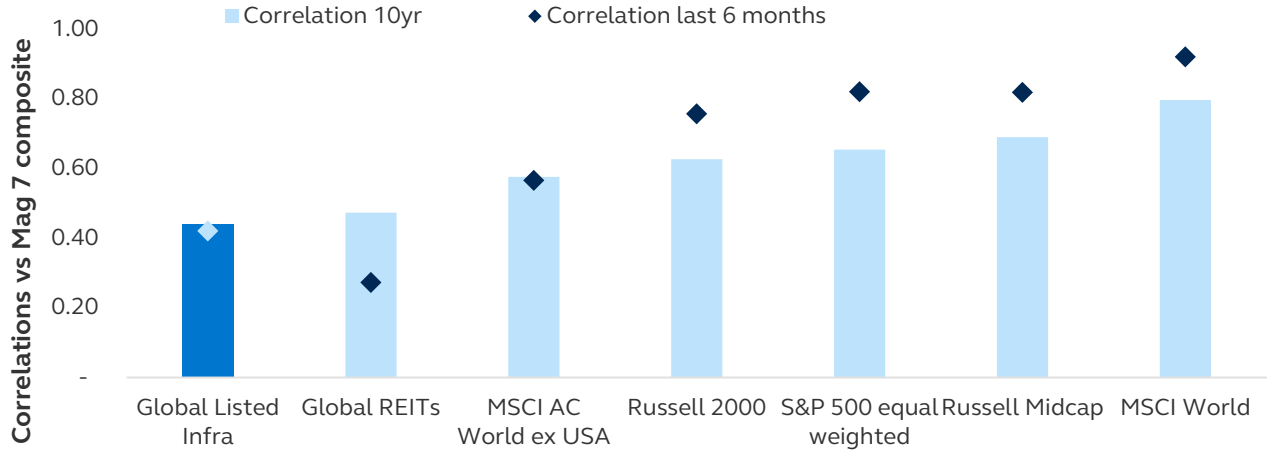
Despite the volatility that has characterized 2025, broader equity markets largely remain dominated by a select few stocks such as the Mag7. We believe diversifying sources of risk in a portfolio is more important than ever. Listed real assets like GLI are compelling alternatives to broader equities, offering low correlations to mega-cap tech names over the last decade, and even lower correlations in recent months. More defensive infrastructure can offer exposure to the stability of real assets while still offering liquidity, providing a valuable counterbalance against other areas of equity that have greater economic sensitivity.

Listed infrastructure drawdowns have typically been less than equities



	Date range
Drawdown 1	October 2007–February 2009
Drawdown 2	March 2000–September 2002
Drawdown 3	December 2021–September 2022
Drawdown 4	November 2019–March 2020
Drawdown 5	February 2018–December 2018

GLI offers low correlations to the over-concentrated Mag 7



Top chart: As of 31 December 2024. Source: FactSet. Top 5 drawdown periods going back to the earliest available data across asset classes (1995). Listed infrastructure is represented by a 50/30/20 blend of MSCI ACWI Utilities Index, MSCI ACWI Transportation, and the Alerian MLP Index through March 2015, and the FTSE Global Core Infrastructure 50/50 Index thereafter. The FTSE index launched in March 2015. Global equities represented by MSCI All Country World Index. Past performance is not indicative of future performance and should not be relied upon to base an investment decision. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Bottom chart: As of 30 September 2025. Source: FactSet. Global listed infra (FTSE Global Core Infrastructure 50/50) and global REITs (FTSE EPRA NAREIT Developed).

Important information

Risk Considerations

Past performance does not guarantee future return. Investing involves risk, including possible loss of principal. Infrastructure issuers may be subject to regulation by various governmental authorities and may also be affected by government regulation of rates charged to customers, operational or other mishaps, tariffs, and changes in tax laws, regulatory policies, and accounting standards. Foreign securities involve special risks, including currency fluctuation and lower liquidity. Some global securities may represent small and medium-sized companies, which may be more susceptible to price volatility than larger companies. Infrastructure companies may be subject to a variety of factors that may adversely affect their business, including high interest costs, high leverage, regulation costs, economic slowdown, surplus capacity, increased competition, lack of fuel availability, and energy conservation policies. Infrastructure investments are long-dated, illiquid investments that are subject to operational and regulatory risks.

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