



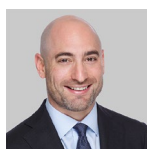
Global Infrastructure Income Strategy



Daniel Chu CFA
Managing Director,
Portfolio Manager



Charles Hamieh
Managing Director,
Portfolio Manager



Shane Hurst
Managing Director,
Portfolio Manager



Nick Langley
Managing Director,
Portfolio Manager

Key Takeaways

- ▶ Listed infrastructure made positive gains in the second quarter, led by GDP-sensitive user-pays assets, but trailed equities in a risk-on market that saw a de-escalation of tensions in the Middle East and reinvigorated interest in semiconductor and AI infrastructure companies.
- ▶ The Strategy delivered positive absolute returns but underperformed its benchmark due to exposure differences among our user-pays and energy-related holdings.
- ▶ There is little change to our outlook: we remain defensively positioned, with a tilt toward regulated and contracted utilities that generally allow inflation and cost increases to be passed through to end users over time and are benefiting from rising energy demand as AI grows and broader electrification continues.

Market Overview

Listed infrastructure made positive gains in the second quarter, but trailed equities in a risk-on market that saw a de-escalation of tensions in the Middle East and reinvigorated interest in semiconductor and AI infrastructure companies.

Defensive sectors such as utilities underperformed in this environment, although all the sectors in the listed infrastructure universe we cover made positive gains. GDP-sensitive user-pays assets generally led as geopolitical tensions eased following the onset of the U.S.-Iran conflict in March. North American rails led the group as the freight cycle showed signs of recovery. Airports and toll roads also performed well as easing tensions laid the groundwork for an increase in global travel. Overall, utilities were positive across the U.S., Canada and Europe, but some weakness crept in as investors began to question the elevated spending by hyperscalers on AI infrastructure, which includes the electricity needed to power data centers.

Laggards in our universe included communications towers, which were relatively weak due to stagnant leasing growth and worries over higher-for-longer interest rates, and renewables, which saw some profit-taking and felt similar headwinds from AI spending concerns.

For the Strategy, on a regional basis, the U.S. and Canada region was the top contributor for the quarter, with Canadian National Railway and Canadian energy infrastructure company South Bow the lead performers.

Canadian National is the largest listed railroad in Canada. Its network is extensive, spanning over 20,000 miles across Canada, the U.S. and Mexico. Canadian National was supported by volumes that have outpaced guidance by 300+ bps while year-over-year headcount continues to decline, which has helped to drive margin improvements.

South Bow is a North American liquids pipeline business that was spun out of TC Energy in October 2024. It has over 3,000 miles of pipeline, and its crown jewel asset, the Keystone Pipeline, connects the heavy crude produced in the Western Canadian Sedimentary Basin to key refinery markets along the U.S. Gulf Coast. The company owns 7.6 million barrels of liquids storage. South Bow's strong share price performance was driven by growing investor conviction and positive momentum surrounding the Prairie Connector project. Several key milestones were achieved during the quarter, including Bridger (its U.S. partner) securing the Presidential Permit and South Bow announcing a successful open season of customer commitments.

U.S. renewables company Clearway Energy and U.K. water company Pennon were the largest detractors for the quarter.

Clearway Energy primarily owns and operates contracted renewable generation assets in the U.S. It also owns and operates conventional generation and thermal infrastructure assets. Clearway's recent underperformance reflects market concerns over persistent U.S. inflation and the potential for higher interest rates as a result.

Pennon is a U.K. water and waste services company comprising two wholly owned water utilities: South West Water and Bournemouth Water. Pennon's share price was negatively impacted by heightened political risk in the U.K. water sector and increased net output delivery incentive penalties resulting from severe storms.

Portfolio Positioning

During the quarter, we initiated a position in German renewables company RWE, which has a strong renewables footprint and has recently completed a financing deal to acquire Amprion, a German electricity transmission system operator, which we believe should support future growth. We also bought U.S. energy infrastructure company DT Midstream, a highly contracted, pure-play natural gas midstream company that we expect to be a key beneficiary of the growing natural gas demand driven by LNG exports, data center growth and coal-to-gas switching.

At the same time, we exited U.S. electric utility Public Service Enterprise Group (PSEG), Australian toll road operator Atlas Arteria and U.K. electric utility SSE. We exited PSEG following political noise from the New Jersey Governor concerning affordability across the state's utilities, which we think will prevent the stock from reaching premium valuations levels. We exited our position in Atlas Arteria as the portfolio's size had grown such that Atlas Arteria's liquidity was no longer adequate for inclusion. SSE has performed strongly and we redeployed capital to more attractive opportunities.

Outlook

There is little change to our outlook: we remain defensively positioned, with a tilt toward regulated and contracted utilities versus GDP-sensitive user-pays assets. We continue to expect strength amidst the greater appreciation of real assets shown by the market in 2026, given their inflation protection in the current macroeconomic and fiscal backdrop. Many infrastructure assets operate under regulatory frameworks or long-term contractual structures that allow inflation and cost increases to be passed through to end users over time. We believe we are still in the early stages of an accelerated infrastructure investment cycle, driven by expanding mobility needs, rising energy demand, a shifting energy mix and the modernization of networks to enhance resilience against physical asset risk and environmental risk. We believe these investments underpin durable growth in earnings and dividends for listed infrastructure investors.

Portfolio Highlights

We believe an absolute return, inflation-linked benchmark is the most appropriate primary measure against which to evaluate the long-term performance of our infrastructure strategies. The approach ensures the focus of portfolio construction remains on delivering consistent absolute real returns over the long term.

On an absolute basis, the Strategy saw positive contributions from seven of nine sectors in which it was invested in the quarter (out of 10), with energy infrastructure, rail and gas utilities the top contributors. Renewables and water utilities detracted.

Relative to the FTSE Global Core Infrastructure 50/50, the Strategy underperformed in the quarter, driven primarily by a lack of ports, overweights to renewables and energy infrastructure and an underweight to rail. Stock selection in the airports sector was also a headwind, while stock selection in energy infrastructure and gas utilities proved beneficial.

On an individual stock basis, the top contributors to absolute returns in the quarter were Canadian National Railway, South Bow, TC Energy, Aeroports de Paris and Enel. The main detractors were Clearway Energy, Pennon, Constellation Energy, Brookfield Renewable and Grupo Aeroportuario del Sureste.

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