



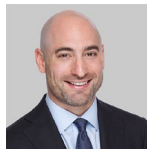
## Global Infrastructure Income Strategy



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### Key Takeaways

- ▶ Listed infrastructure outperformed global equities for the first quarter as a selloff in software stocks drove a market rotation into more defensive sectors and war in Iran raised inflation fears and underscored a flight to safety.
- ▶ Natural gas utilities and pipelines led the listed infrastructure sectors in our universe; renewables and North American and European utilities also delivered strong returns.
- ▶ Supply disruptions across key energy and commodity markets in the Middle East highlight the resilience of infrastructure assets, many of which operate under regulatory frameworks or long-term contractual structures that allow inflation and cost increases to be passed through to end users over time.

### Market Overview

Listed infrastructure outperformed global equities in the first quarter of 2026 as a selloff in software stocks drove a market rotation into more defensive sectors and war in Iran raised inflation fears and underscored a flight to safety.

For the quarter, natural gas utilities and pipelines led the listed infrastructure sectors in our universe; renewables and North American and European utilities also delivered strong returns, helped by rising earnings expectations driven by higher capex needs to support increased power demand, generation mix changes, asset resiliency and modernization programs. GDP-sensitive toll roads, airports and rails also held onto gains; North American freight rails benefited from improved economic conditions, with the Purchasing Managers Index entering expansionary territory for the first time in three years. In Europe, we saw some M&A activity, notably from French electric utility Engie, which acquired UK Electric Networks. Several airport companies, meanwhile, began negotiations for airport charges for their next regulatory cycle; they are proposing to meaningfully step up investments to support traffic growth across their platforms.

The escalation of military tensions with Iran in March led to supply disruptions across key energy and commodity markets, including oil, LNG and other critical resources moving through the Middle East. This contributed to [renewed inflation pressures](#) globally as higher energy, transport and input costs flow through supply chains.

This commodity disruption played out in sector performance in March, with natural gas utilities and pipelines delivering strong returns, North American and European utilities modestly down but still outperforming the major infrastructure indexes and global equities, and GDP-sensitive user toll roads, airports and rails underperforming amid heightened concerns about inflation, consumer spending and overall economic activity.

### Performance Overview

On a regional basis, the U.S. and Canada region was the top contributor for the quarter, with U.S. electric utility Entergy the lead performer. Entergy provides services to approximately three million people in Arkansas, Texas, Mississippi and Louisiana; share prices rose with the announcement of another capex raise during its earnings release and on enthusiasm for its converting 8 GW of turbines into more data center deals.

Turning to Western Europe, U.K. electric utility SSE also performed well. SSE is a diversified energy utility headquartered in Scotland and the U.K.'s largest renewable energy generator. It is vertically integrated, operating over the entire supply chain in the U.K., with generation (including hydro, wind, CCGT), electricity networks, and retail businesses (primarily B2B). SSE's share price rose as funding risks diminished and concerns around the U.K. macroeconomic outlook eased.

French airport operator Aeroports de Paris and U.S. electric utility Constellation Energy were the largest detractors for the quarter.

Aeroports de Paris owns and operates three airports in Paris (Charles de Gaulle, Orly and Le Bourget), as well as minority stakes in several global airport groups, including TAV in Turkey and Schiphol in Holland. The company received an unfavorable outcome for its 2026 aeronautical tariff filing, which the market interpreted as a negative read-through for the 2027–2034 tariff period. While the decision is disappointing, follow-up discussions with management gave us confidence that a more balanced outcome will ultimately be achieved. This conviction is underpinned by the company's extensive stakeholder engagement with the French government, airlines and its regulator, which has confirmed strong support for the proposed capex plan. The plan aims to modularly expand the Paris airport network, easing congestion and unlocking capacity to support future growth. A final regulatory decision is expected in the second half of 2026.

Constellation Energy is primarily a nuclear generation company and is the largest producer of carbon-free electricity in the U.S., serving states including New York, Illinois, Maryland, Pennsylvania and New Jersey. The company's combined generation capacity is more than 32 GW and 90% of annual output is carbon free. Constellation's share price was pressured by calls for emergency auctions for electricity at

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PJM Interconnection, the largest U.S. power grid, which signaled increased future capacity. We believe this reaction is overdone.

### **Portfolio Positioning**

During the quarter, we initiated positions in Mexican airport operator Grupo Aeropuertos Del Sureste, where we expect traffic resilience despite a new competing airport terminal ramping in Cancun, and Canadian energy infrastructure company Pembina Pipeline, where we think AI-related projects will continue to drive EBITDA upside. We also bought French rail operator Getlink, whose new dividend policy represents a nearly 40% increase compared to last year, with a commitment to gradually increase it by 5 cents per share annually through 2030. We see scope for more enhancements to shareholder returns in coming years, given the company's strong balance sheet and expected business performance across its key business units. We expect its core car and truck shuttle business to deliver above-inflation yield growth and low-single-digit traffic growth over the medium term, while its high-speed rail franchise should see a meaningful acceleration in traffic in the 2030s as new routes are developed into other countries such as Germany and Switzerland and other parts of France.

We exited four positions, taking profits after periods of outperformance in U.S. rail operator Union Pacific and Canadian electric utility Emera. We sold out of Spanish electric utilities Redeia, following a downgrade in our growth expectations after recent regulatory outcomes, and Iberdrola, where we maintain a positive view, although we see more attractive investment propositions in other European utility companies, specifically Engie.

### **Outlook**

In this environment, infrastructure assets continue to be resilient because many operate under regulatory frameworks or long-term contractual structures that allow inflation and cost increases to be passed through to end users over time. As a result, while higher interest rates and macro volatility may create short-term valuation pressure, the underlying cash flow characteristics of infrastructure assets provide inflation protection following periods of geopolitical-driven commodity shocks.

More broadly, we are observing greater appreciation by the market of real assets, given their inflation protection in the current macroeconomic and fiscal backdrop.

Across our holdings, we continue to expect low double-digit internal rates of return over the next five years, underpinned by defensive dividend profiles and growth outlooks. 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 and environmental risks. We believe these investments underpin durable growth in earnings and dividends for 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 all nine sectors in which it was invested in the quarter (out of 10), with electric utilities, energy infrastructure and gas utilities the top contributors.

Relative to the FTSE Global Core Infrastructure 50/50, the Strategy outperformed in the quarter, driven primarily by stock selection in the electric utility sector and a lack of communications holdings. Stock selection in the energy infrastructure sector and an overweight to other infrastructure detracted.

On an individual stock basis, the top contributors to absolute returns in the quarter were Entergy, SSE, Williams, South Bow and TC Energy. The main detractors were Constellation Energy, Aeroports de Paris and Atlas Arteria, while Pembina Pipeline and Emera also lagged.

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