



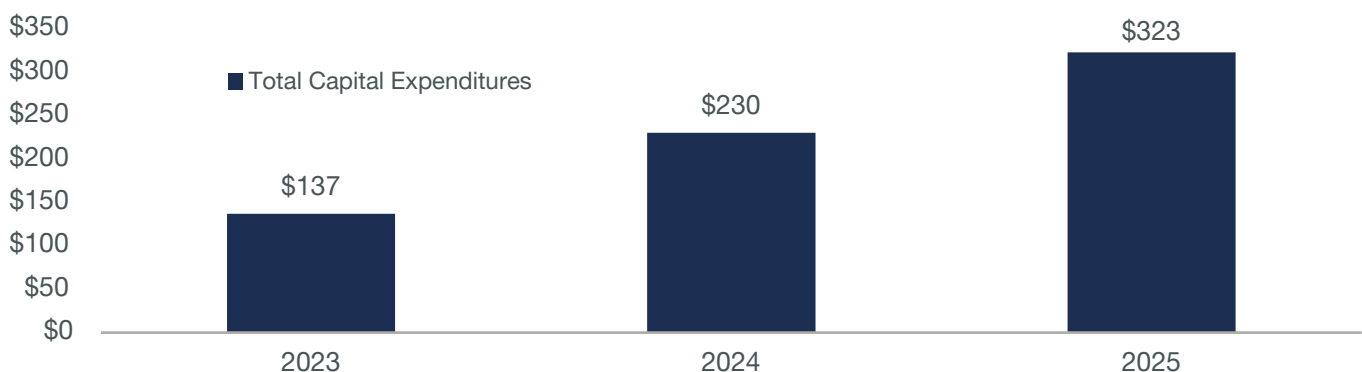
## Infrastructure: At the center of AI growth, policy support, and rising power demand

Listed infrastructure has emerged as a key beneficiary of 2025's dominant market forces: accelerating AI infrastructure needs, surging U.S. electricity demand, supportive policy changes, and shifting interest rate expectations. We believe this convergence of favorable trends positions listed infrastructure well relative to other asset classes, with high confidence in the sector's ability to potentially deliver attractive total returns.

### The AI-driven power surge

**From Skepticism to Reality:** Early 2025 began with market doubts about AI's infrastructure impact, with concerns that more efficient models would slow data center expansion. By Q2, this narrative completely reversed as hyperscale cloud providers increased capital spending to record levels, with management teams unanimously identifying power availability—not customer demand—as their primary growth constraint.

Figure 1: Growth of Hyperscaler CapEx (Billions)

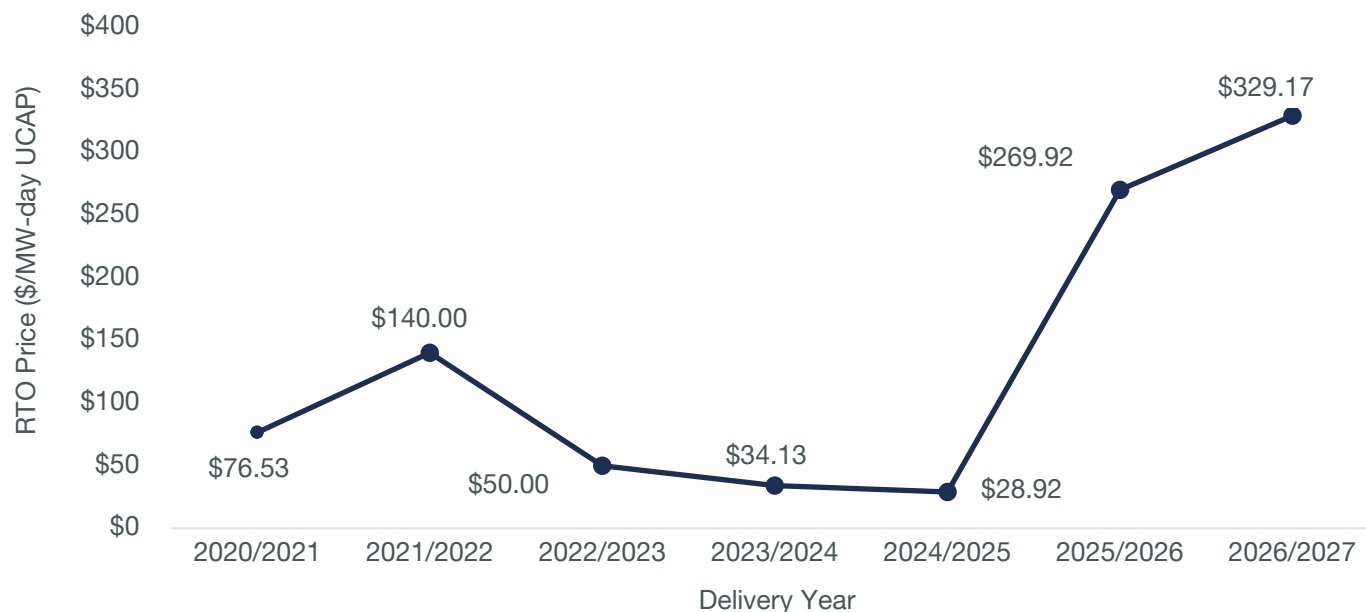


Source: Q2 2025 earnings calls and company reports.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

**Market validation through PJM auction results:** The most compelling evidence came from the PJM grid operator, which serves 65 million people across 12 northeastern states and operates America's largest unregulated power market. Their July capacity auction results were extraordinary: electricity prices hit the auction ceiling at 20% above 2024 levels and **10 times higher than 2023 prices**. This dramatic increase reflects genuine supply-demand imbalances as AI data centers compete for scarce power capacity, creating strong incentives for increased investment in energy infrastructure.

**Figure 2: PJM Power Auction Clearing Price**



Source: PJM 2026/2027 Base Residual Auction Report.

## Policy clarity through the One Big Beautiful Bill Act

The OBBBA resolved a year of regulatory uncertainty around the Inflation Reduction Act, providing clear investment frameworks:

- **Nuclear power:** Secured production tax credits for existing facilities while supporting new large-scale projects, small modular reactor development, and plant restarts.
- **Renewable energy:** Established tax credit phase-out timeline through 2029, enabling more predictable Power Purchase Agreement pricing.
- **Grid infrastructure:** Created targeted incentives for utility grid modernization focused on resilience and reliability improvements.

## Economic environment advantages

**Safeguard from inflation:** Infrastructure's pass-through pricing mechanisms generally provide natural inflation hedging, while our utility, midstream, and transportation cash flows have already demonstrated resilience during the 2021-2024 inflationary period.

**Rate environment positioning:** Potential monetary policy easing could unlock value in communications infrastructure and utilities that underperformed during the recent rate hiking cycle.

**Trade risk resilience:** Infrastructure's pass-through pricing model offers low sensitivity to tariff impacts, while long procurement cycles minimize project-level disruption.

# Investment positioning and outlook

We believe infrastructure represents more than defensive positioning—it captures the growth potential of the convergence of AI-driven electricity demand, supportive energy policy, and inflation resilience.

Our portfolio maintains high-conviction allocations with strategic diversification across infrastructure sectors, emphasizing exposure to U.S. power demand through utilities, contracted power generation, data centers, and midstream energy assets.

We believe listed infrastructure is positioned for a multi-year period of attractive total returns, supported by low-to-mid single digit dividend yields, high single digit earnings growth (above historical averages), and potential multiple expansion from currently discounted valuations.

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