Tariff shock: Listed infrastructure has offered resilience amidst higher uncertainty

On April 2nd, the Trump Administration unexpectedly announced a broad global tariff regime, triggering a wave of economic uncertainty and volatility. Key implications include:

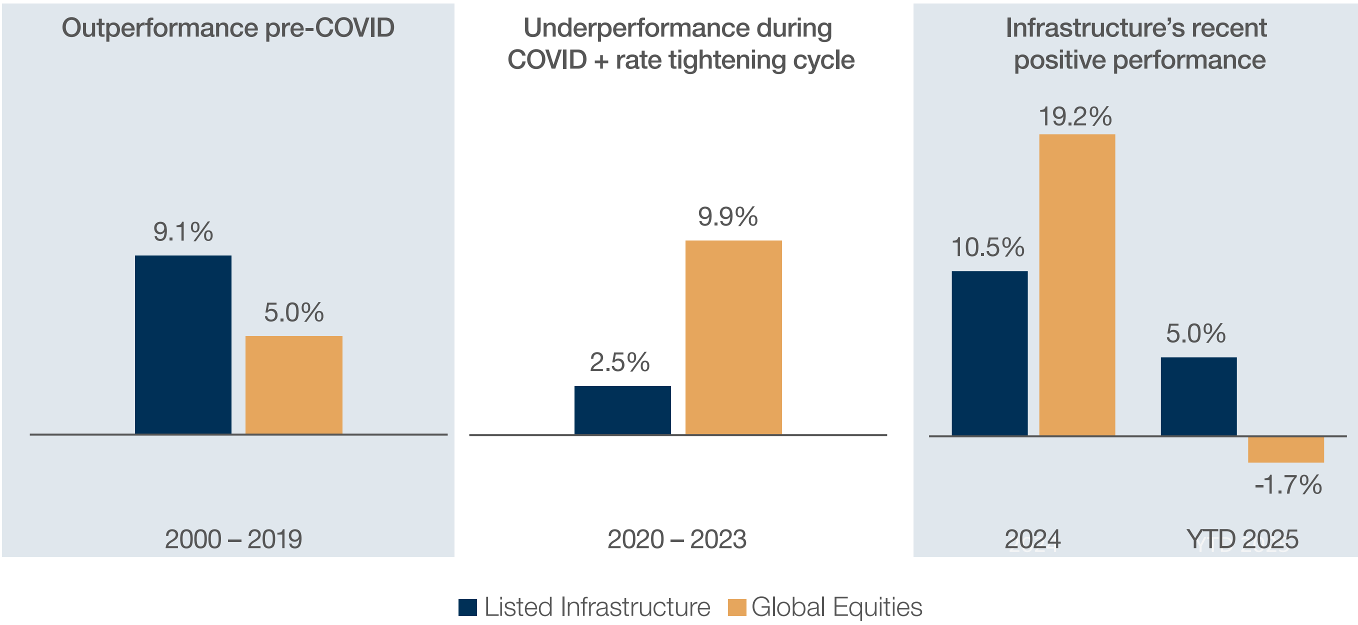
- **Rising Production Costs:** Higher import tariffs are driving up supply chain costs.
- **Inflation Surge:** Cost-push inflation is building as companies pass expenses to consumers.
- **Growth Concerns:** Weaker consumer purchasing power and higher input costs are dampening economic growth expectations.

As a result, economists have revised down both GDP growth and corporate earnings forecasts. The scale of tariffs draws parallels to 1930s-era protectionism, fueling heightened market uncertainty.

Listed infrastructure has outperformed amidst market uncertainty and tariff fears

Listed infrastructure may offer broad equity-like returns with lower volatility over the long term. After a period of underperformance during COVID and a recent rate tightening cycle, we believe the asset class presents an attractive entry point for investors seeking consistent earnings growth and compelling total return potential. (Figure 1)

Figure 1: Listed infrastructure performance vs. global equities



Source: CBRE Investment Management, Infrastructure is represented by linked UBS Global Infrastructure & Utilities 50/50 Index and FTSE Global Core Infrastructure 50/50 Index and Global Equities is represented by MSCI World Index as of 03/31/2025. An index is unmanaged and not available for direct investment. Information is the opinion of CBRE Investment Management and is subject to change and is not intended to be a forecast of future events, or a guarantee of future results, or investment advice. **Forecasts and any factors discussed are not indicative of future investment performance.**

Why listed infrastructure is resilient in this environment

Despite the broader market pressures, listed infrastructure has outperformed year-to-date. This asset class offers several defensive characteristics:

- **Recession-Resistant Demand:** Provides essential services that remain in demand regardless of economic cycles.
- **Inflation Linkage:** Revenues are often tied to inflation via regulation or long-term contracts.
- **Stable Cash Flows:** Infrastructure businesses operate with high visibility and recurring revenues.
- **Supply Chain Advantage:** Large-scale infrastructure firms have purchasing power and long lead times, buffering near-term disruptions.

While we are not forecasting a recession, we are moderating growth expectations due to sustained inflation. Our current portfolio-wide earnings impact is minimal (under 0.5%), with inflation-boosted revenues helping offset volume weakness. We maintain a 7–8% earnings growth forecast for the asset class over the next two years, above long-term infrastructure trends.

Valuations and outlook

Infrastructure services are not imports or exports, they serve local markets and are essential to daily life, which makes them less sensitive to shifts in global trade and economic cycles. As of the end of March, listed infrastructure was trading at an 8% discount to global equities, despite trading at a premium over the long-term. (Figure 2) Historically, during periods of uncertain earnings growth and declining investor sentiment, infrastructure's resilience has supported relative multiple expansion. (Figure 3) This dynamic suggests that the current valuation gap presents a compelling opportunity for potential enhanced performance ahead.

Figure 2: Relative Earnings Multiple | Listed Infrastructure vs Global Equities

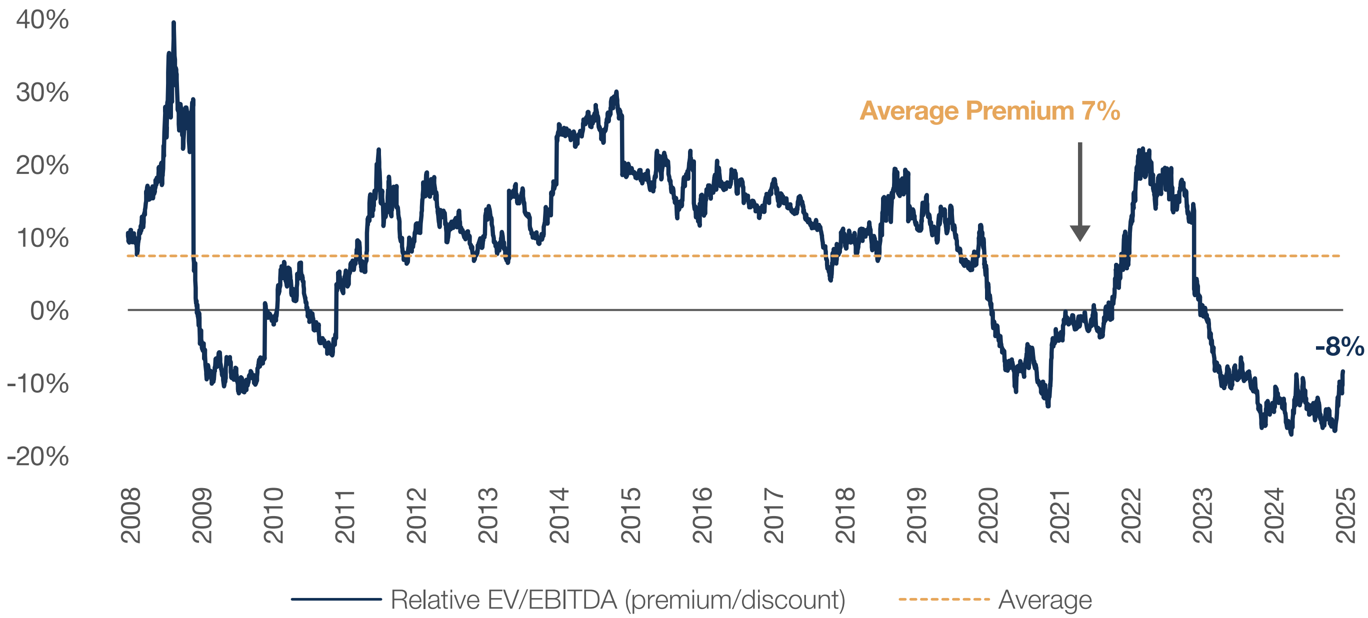
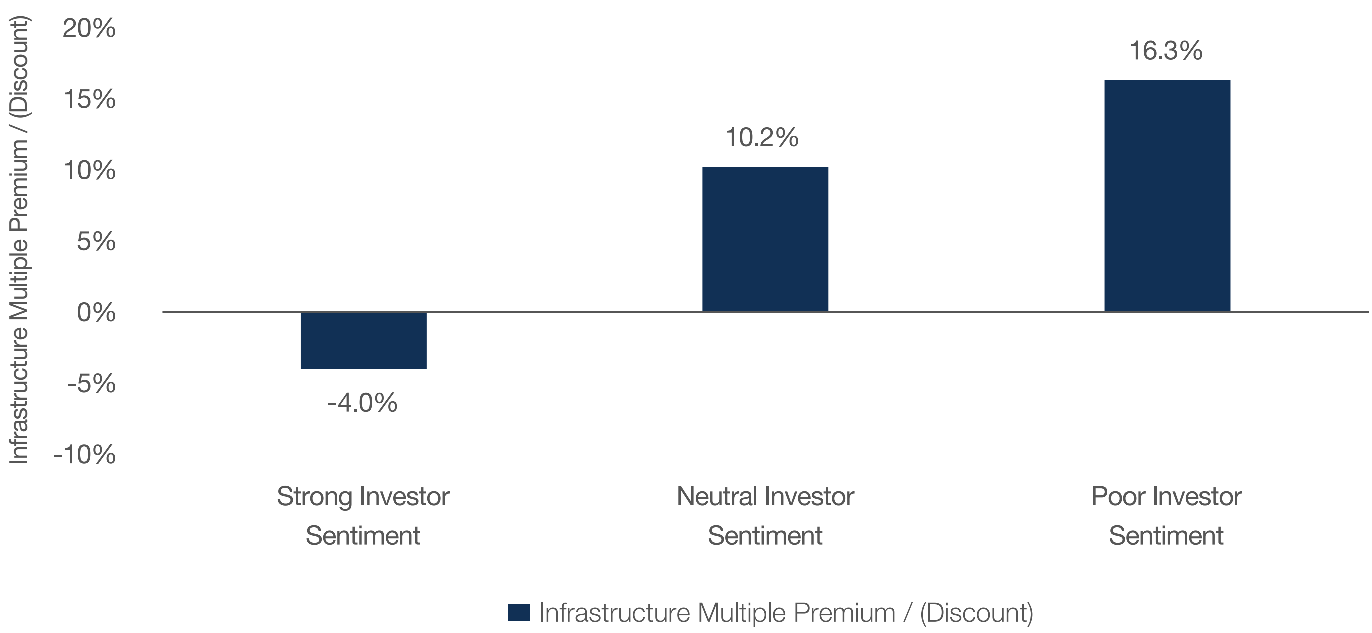


Figure 3: Relative Earnings Multiple | Global Infrastructure and Investor Sentiment



Source: CBRE Investment Management, iShares MSCI ACWI ETF, SPDR S&P Global Infrastructure ETF, ProShares Dow Jones Brookfield Global Infrastructure ETF, of 03/31/2025. Sentiment analysis based on data between March 2008 and March 2025 (time period of infrastructure relative multiple sample). Infrastructure multiple reflects the median calculated multiple during a given regime. Strong investor sentiment defined as periods where >60% of investors are neutral to bullish. Neutral investor sentiment defined as periods where 20-60% of investors are neutral to bullish. Poor investor sentiment defined as periods where <20% of investors are neutral or bullish. Sentiment is based on the AAII (American Association of Individual Investors) Investor Sentiment indices. Information is the opinion of CBRE Investment Management, which is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. **Forecasts and any factors discussed are not a guarantee of future results.**

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DEFINITIONS:

The **UBS Global Infrastructure & Utilities 50/50 Index** is a global equity index designed to provide exposure to listed infrastructure securities. It allocates 50% of its weight to companies classified as utilities and 50% to those classified as infrastructure-related.

The **FTSE Global Core Infrastructure 50/50 Inde**x measures the performance of listed companies globally that are involved in core infrastructure activities. The index applies a 50/50 weighting split between two key segments: utilities and transportation and energy infrastructure.

The **MSCI World Index** is a broad global equity benchmark that represents large- and mid-cap companies across 23 developed markets.

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