InfraRed Capital Partners

Infrastructure Strategic Outlook 2026

Infrastructure Takes Centre Stage

KEY TAKEAWAYS FOR 2026

Summary View

Infrastructure dominated capital flows in 2025, supported by megatrends which are expected to persist into 2026. Amid a broadly steady macroeconomic backdrop anticipated for the year ahead, digital–energy convergence and accelerating megatrends present a robust pipeline that demands greater deal selectivity.

Macro-economic[1]

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- Global growth may moderate to 2.9% in 2026 from 3.2% in 2025 amid trade uncertainty, yet resilient consumer demand and AI-driven investment underpin expansion.
- Inflation to continue its downward trend, but to remain above central bank targets, particularly in the US and in the UK, as central banks move to more selected cuts.
- Long-term bond yields in major economies are softening more slowly than anticipated, despite recent central bank rate cuts, amid fiscal uncertainty.
- USD may continue on a path of stability with mild downside risk amid easing rates.

Financial Markets[2]

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- Commodity and energy prices are likely to remain soft, reflecting moderating economic activity and improved supply conditions.
- Credit spreads stay tight versus historical norms, though some credit cycle weakening is possible in 2026 as growth slows.
- U.S. equities are driven by AI earnings growth, Europe offers relative value, rotation into alternatives persists as long-term equity returns hover around 7.5%.

Alternatives Capital Flows[3]

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- Alternatives fundraising and deal volumes anticipated to strengthen in 2026, but to remain below historical peaks amid sluggish Private Equity market distribution.
- Infrastructure capital flows stand out, with the strongest fundraising year on record in 2025, underpinned by megatrends accelerating capital influx.
- Deal activity in infrastructure will continue to rebound, as mid-market, digital infrastructure and energy likely to continue to dominate transaction volumes.

Infrastructure Performance[4]

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- Infrastructure delivered resilient returns outperforming private equity and real estate, on a 1- and 3-year basis (as of June 2025), a trend expected to continue into 2026.
- Infrastructure valuations at an attractive entry point with some upside in 2026 if long-term government bond yields soften, particularly for long duration assets.
- In 2025, entry IRRs for core and value-add strategies are around 9.6% and 14.4%, respectively, and are expected to remain broadly stable in 2026.

Allocation Themes[5]

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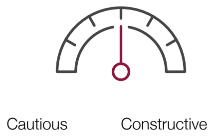
- Policy volatility will continue to create uncertainty, especially in the U.S., but also presents opportunities amid asset repricing and shifting liquidity conditions.
- Digital likely to remain a strong driver, with digital–energy convergence accelerating demand for renewables, storage, and electrification, while growing data centre portfolio concentration pushes investors to seek greater thematic differentiation.
- Mid-market and secondary strategies are set to play an increasingly pivotal role, offering growth, exit optionality, liquidity, and portfolio agility.

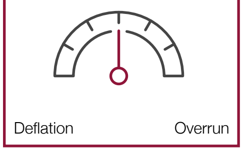
[1] Macrobond, November 2025
[2] Macrobond, November 2025
[3] Preqin, November 2025
[4] Returns indicated are estimates for 10-year net entry IRRs as at December 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.
[5] For illustrative purposes only. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

MACROECONOMIC OUTLOOK[6]

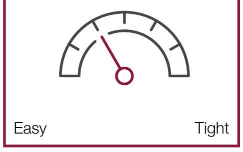
Economic growth



Inflation



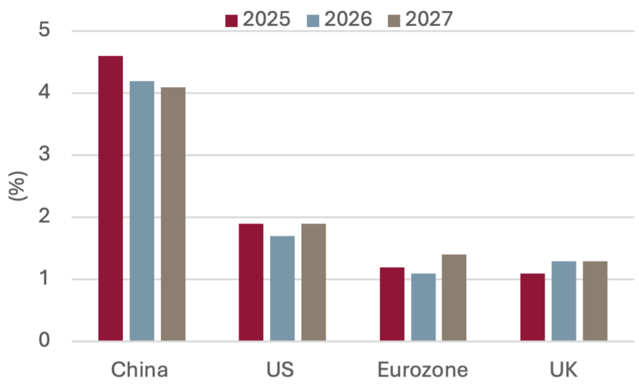
Monetary policy



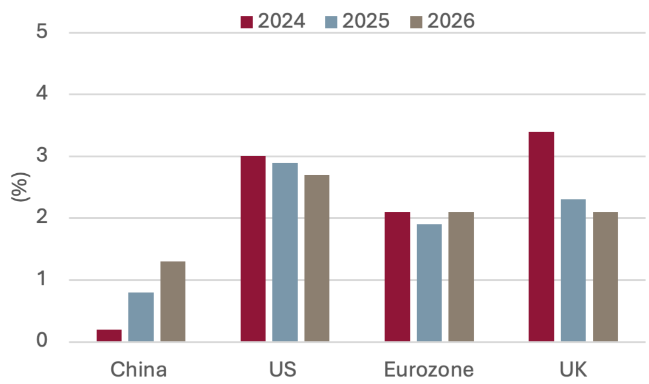
Global GDP Outlook: Global growth is projected to moderate to 2.9% in 2026 from 3.2% in 2025 amid trade uncertainty, yet resilient consumer demand and AI-driven investment underpin expansion. Growth in 2025 was supported by easing monetary policy, infrastructure investment, and selective fiscal stimulus. The baseline outlook remains balanced, but risks from geopolitical fragmentation, higher borrowing costs still feeding through the system, and policy volatility persist. At the same time, advances in AI are expected to support productivity gains and strengthen medium-term growth.

Regional Highlights: In 2026, GDP in advanced economies is expected to increase by 1.5%–1.8%, while emerging markets growth remains near 3.8%. U.S. GDP should expand by about 1.9% in 2025 and 1.7% in 2026, underpinned by AI infrastructure investment and a resilient labour market. Euro Area growth is projected at 1.1% in 2025 and 1% in 2026, constrained by weak industrial output. The United Kingdom faces similar headwinds, with GDP growth around 1.1% in 2025, remaining below potential until late 2026, as fiscal tightening weighs on households. Asia maintains firmer momentum, though external demand and trade frictions continue to pressure exports; China's growth moderates toward 3.9%. Australia still outperforms most developed peers, with GDP growth expected at 2.2% in 2026, up from 1.9% in 2025.[7]

Real GDP Growth (% change, yoy)



Inflation (% change, yoy)



Source: Macrobond, November 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

Inflation Dynamics: Globally, inflation is easing more slowly than anticipated, with volatility driven by lingering supply chain constraints and trade frictions. Inflation remains above central bank targets across major economies. In the United States, headline inflation is expected to hover around 2.5% in 2026 from 3% in 2025, down from previous highs but still above the Federal Reserve's 2% goal. In Europe, inflation has moderated more visibly, with the Euro Area expected near 2.1%–2.4% in 2025, gradually approaching 1.8%–1.9% in 2026. In the United Kingdom, inflation has fallen faster than expected but remains volatile; the Bank of England forecasts CPI to average 2.6%–2.8% in 2025 before stabilising closer to target by 2026. In Japan, inflation remains above the 2% target, as wage pressures and imported costs persist, averaging around 3.3% in 2025 and projected to be 2.2% in 2026.[8]

[6] Macrobond, May 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.
[7] Macrobond, IMF, November 2025
[8] Macrobond, November 2025

Central Bank Policy: Overall, 2026 is expected to feature a careful balance between volatile inflation and monetary policy normalisation, with major central banks maintaining divergent paths. Most have largely ended tightening cycles, and selective rate cuts are anticipated, contingent on tangible disinflation.

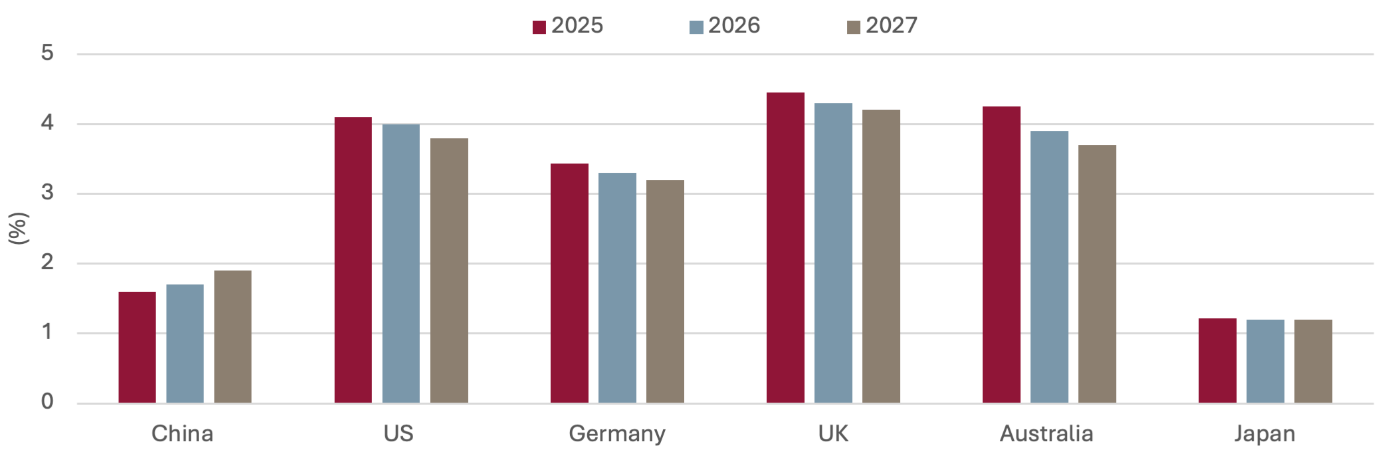
In Europe, the ECB is likely to progress in its measured easing cycle if inflation continues to trend lower and growth remains subdued. The Federal Reserve, after delivering its cut in October 2025, remains cautious amid mixed inflation signals and resilient employment, suggesting a data-driven approach to further easing.

The Bank of England faces a complex backdrop: in 2026 cuts will remain conditional to persistent services inflation and fiscal uncertainty. The Bank of Japan may tighten monetary policy further in 2026.[9] The US dollar is expected to remain broadly stable with a mild weakening bias as interest rates ease.[10]

Long-Term Yields: Long-term government bond yields appear to be gradually easing; however, we do not anticipate any significant downward adjustments in 2026. Fiscal stances in advanced economies remain supportive but increasingly constrained by high debt and moderate growth. High debt levels and increased budgetary pressure limit fiscal room to absorb future shocks, as debt affordability is deteriorating across governments.[11]

In 2026, governments may face two competing priorities: supporting households and investment while restoring fiscal discipline. Sticky inflation and rising debt costs have kept sovereign yields elevated. US deficits remain wide, with fiscal sustainability anticipated to remain central to the policy debate. In the Euro Area energy and defence spending weigh on budgets. In the U.K., fiscal policy is constrained by elevated gilt yields and a fragile growth backdrop, while fiscal space is already narrow. Electoral cycles will shape fiscal policy, and absent near-term elections, in 2026 policymakers will have likely more room to focus on debt stabilisation and structural reforms.[12]

Long-term Government Bond Yields (%, yoy)



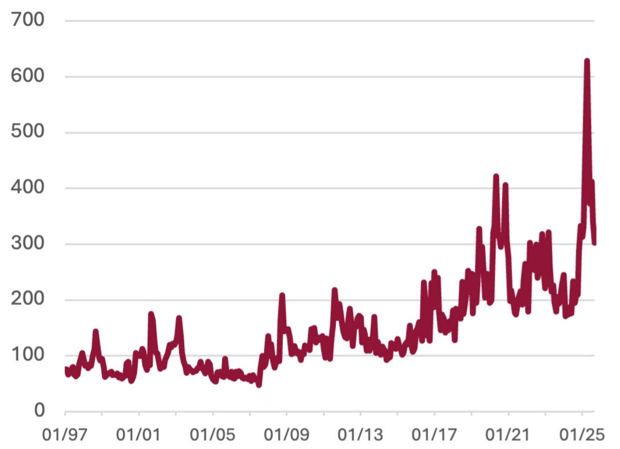
Source: Macrobond, November 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

[9] Macrobond, November 2025
[10] Macrobond, November 2025
[11] Moody's, Global Sovereign Outlook 2026, November 2025
[12] S&P Global, October 2025. Main elections: US Midterm elections (2026), France Presidential Elections (2027), US Presidential Elections (2028), Italy Parliamentary Elections (2028), Australia General Election (2028).

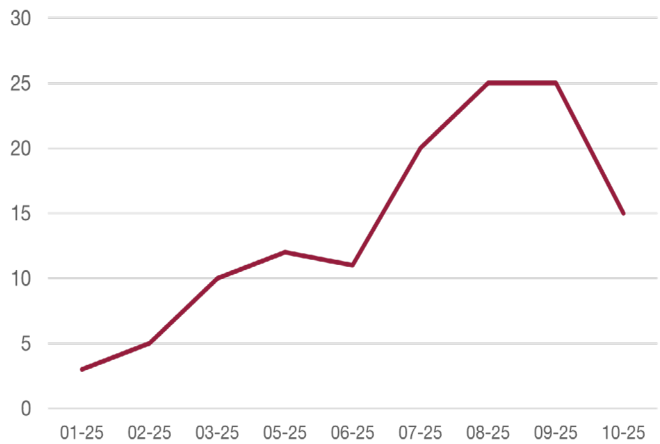
Policy Uncertainty: Geopolitical tensions continue to reshape global investment strategies, driven by renewed US–China trade frictions, expanding tariff regimes, and ongoing supply-chain realignments. In 2025, global trade slowed modestly following the introduction of new tariffs, and we expect this sluggish growth trajectory to persist into 2026.[13]

The risk landscape now includes continued conflict in Ukraine with spillover potential into NATO territory, and tensions in the South China sea and Taiwan strait. These dynamics underscore a broader trend toward greater rivalry and fragmentation of global norms. At the same time, regulatory shifts such as new industrial policies, infrastructure incentives, and technology export controls are catalysing structural capital reallocation toward infrastructure. Investors face a world where resilience planning and geopolitical hedging are increasingly central to long-term positioning.

Global Economic Policy Uncertainty Index*



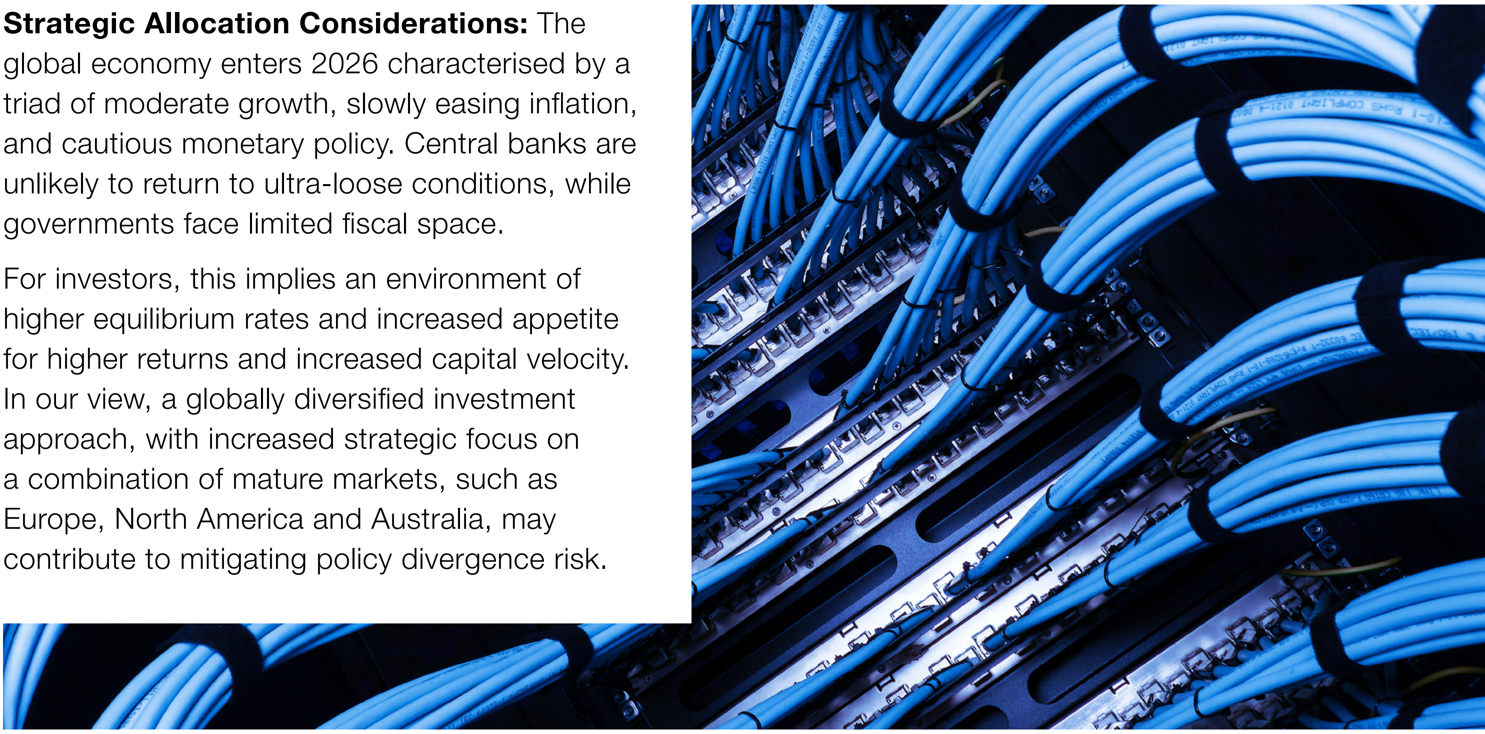
US Effective Tariff Rate Evolution in 2025 (%)



Source: *Policy Uncertainty Index, November 2025. ** Oxford Economics. Effective tariff rate based on 2024 import mix. Past performance is not indicative of future returns. For illustrative purposes only.

Strategic Allocation Considerations: The global economy enters 2026 characterised by a triad of moderate growth, slowly easing inflation, and cautious monetary policy. Central banks are unlikely to return to ultra-loose conditions, while governments face limited fiscal space.

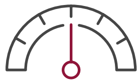
For investors, this implies an environment of higher equilibrium rates and increased appetite for higher returns and increased capital velocity. In our view, a globally diversified investment approach, with increased strategic focus on a combination of mature markets, such as Europe, North America and Australia, may contribute to mitigating policy divergence risk.



[13] Oxford Economics, November 2025

FINANCIAL MARKETS[14]

Fixed Income



Cautious Constructive

Equities

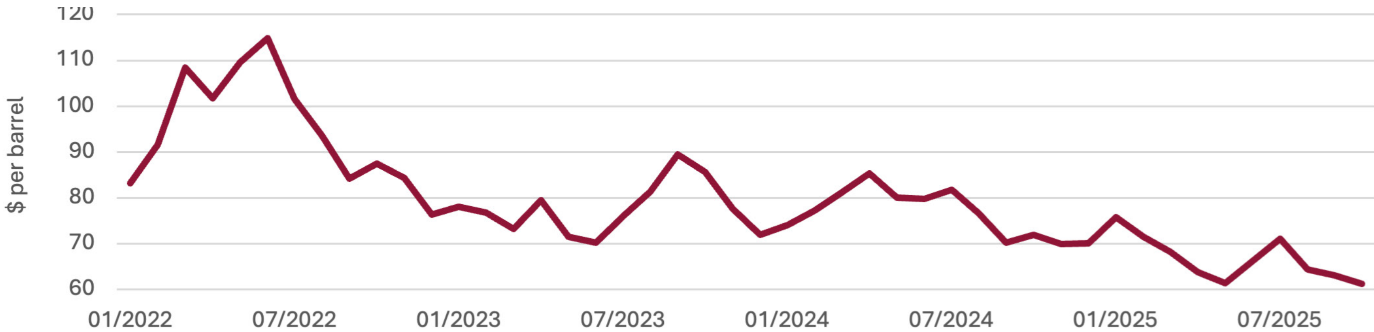
Cautious Constructive

Listed Infrastructure

Cautious Constructive

Commodities: In 2025 global commodity prices continued to drop, due to weaker economic growth expectations and abundant supply. In 2026, prices may fall further, with the World Bank forecasting a drop for crude oil and coal prices when adjusted for inflation. This decline could ease near-term inflation pressures exacerbated by rising trade barriers. It may also pose some challenges for the budgets of economies reliant on commodity exports, and, if persistent, may contribute to reducing foreign capital investment flows, including global alternatives and infrastructure in the medium-term.[15]

Crude Oil Prices, (West Texas Intermediate, $ per Barrel)

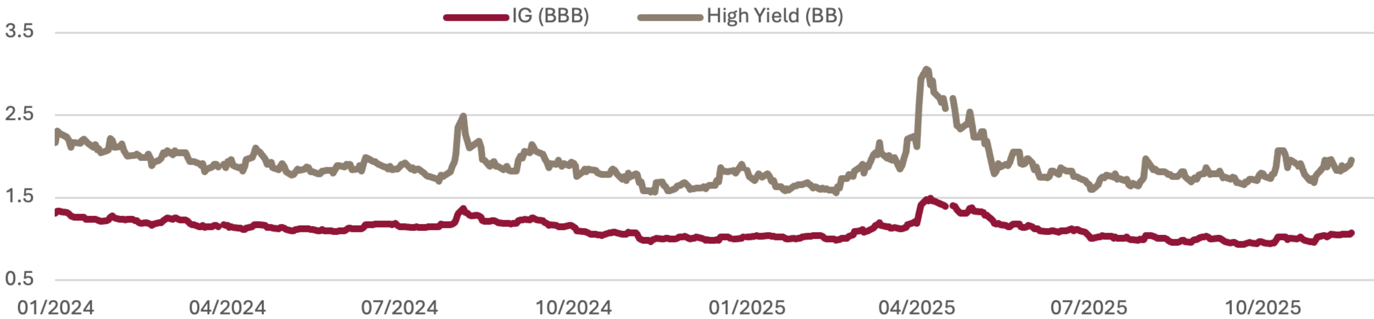


Source: Fred St Louis, November 2025. Past performance is not indicative of future returns. For illustrative purposes only.

Fixed Income: Our outlook for fixed income in 2026 remains balanced. Entry yields continue to prove attractive on a historical basis but narrowed compared to 2025. IG spreads tightened after the tariff-driven widening in early 2025, and investment-grade (IG) credit continues to look resilient, offering defensiveness if growth slows or volatility spikes, with stickier government bonds regaining appeal as yields normalised. European fiscal dynamics, particularly Germany's fiscal pivot, support a more favourable backdrop for euro-denominated debt, bringing yields closer to long-term equilibrium.

High-yield credit provides an avenue for carry and alpha, yet spreads now appear to somewhat reflect greater lender scrutiny and may require more disciplined positioning and active selection in a more nuanced market, amid a potentially softer credit cycle in 2026. Fixed income remains a cornerstone of diversified portfolios, in our view. If rates decline amid economic deceleration, duration exposure could deliver upside. At the same time, inflation uncertainty reinforces the case for some inflation protection, including infrastructure and inflation-linked bonds.

Credit Spreads (Option Adjusted, $, %)



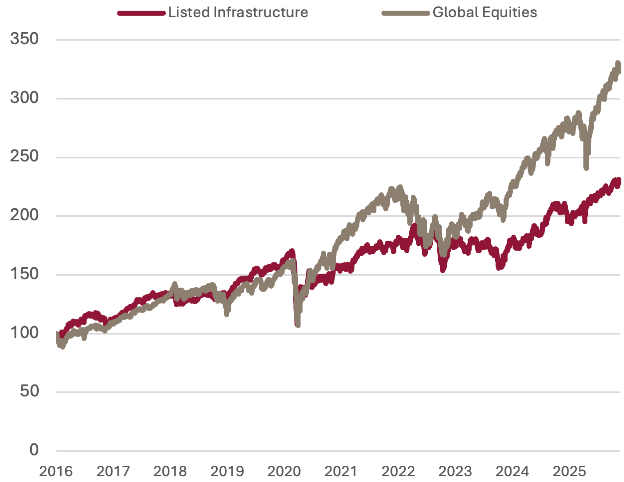
Source: Fred St Louis, November 2025. ICE BofA BB US High Yield Index Option-Adjusted Spread, ICE BofA BBB US Corporate Index Option-Adjusted Spread. Past performance is not indicative of future returns. For illustrative purposes only.

[14] Macrobond, May 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.
[15] World Bank, Commodities Markets Outlook, October 2025

Equities: Our outlook for 2026 remains cautious, but constructive as markets enter a more mature phase of the cycle. While US equity valuations remain elevated versus historical norms limiting near-term upside the secular trend of AI-driven investment continues to support growth stocks. Consensus long-term return expectations have widened to about 7.5% from 7% in 2025.

Current valuations for AI stocks appear to reflect rapid earnings growth following substantial capex commitments. Given the relatively short depreciation cycle of AI equipment, typically around four years, earnings delivery remains the critical variable to sustain these valuations.

Listed Equity and Infrastructure (2016=100, Total Return)



Source: Macrobond, performance data as at 19th of November 2025. Listed Infrastructure: World, Equity Indices, FTSE, Infrastructure, Core Infrastruc-ture 50/50 Index, Gross Total Return, USD; Global Equities: World, Equity Indices, MSCI, Mid & Large Cap, Index, Total Return, USD. Past performance is not indicative of future returns. For illustrative purposes only.

In contrast, Europe appears comparatively attractive for value-oriented strategies given lower entry multiples, yet earnings growth appears sluggish. For 2026, while some discount rate compression from anticipated central bank easing may provide a modest tailwind to equities in developed markets, earnings visibility is also clouded by tariff-related uncertainty and uneven growth projections. Cyclical sectors could face some margin pressure as economic growth moderates.

S&P 500 Monthly Sector Performance (Total Return, $, %)

2019	2020	2021	2022	2023	2024	2025 so far	+/- YTD perf
Information Technology 48 %	Information Technology 42 %	Energy 48 %	Energy 59 %	Information Technology 56 %	Comm. Services 39 %	Comm. Services 34 %	↑
Comm. Services 31 %	Consumer Discretionary 32 %	Real Estate 42 %	Utilities -1.4 %	Comm. Services 54 %	Information Technology 36 %	Information Technology 25 %	↑
Financials 29 %	Comm. Services 22 %	Information Technology 33 %	Consumer Staples -3.2 %	Consumer Discretionary 41 %	Consumer Discretionary 29 %	Industrials 17 %	↑
Industrials 27 %	Materials 18 %	Financials 33 %	Health Care -3.6 %	Industrials 16 %	Financials 28 %	Utilities 15 %	↑
Consumer Discretionary 26 %	Health Care 11 %	Materials 25 %	Industrials -7.1 %	Materials 10 %	Utilities 20 %	Health Care 12 %	↑
Real Estate 25 %	Industrials 9 %	Health Care 24 %	Financials -12 %	Financials 9.9 %	Industrials 16 %	Financials 11 %	↑
Consumer Staples 24 %	Consumer Staples 7.6 %	Consumer Discretionary 24 %	Materials -14 %	Real Estate 8.3 %	Consumer Staples 12 %	Energy 6.8 %	↑
Utilities 22 %	Utilities -2.8 %	Comm. Services 21 %	Real Estate -28 %	Health Care 0.3 %	Energy 2.3 %	Materials 5.1 %	↑
Materials 22 %	Financials -4.1 %	Industrials 19 %	Information Technology -29 %	Consumer Staples -2.2 %	Real Estate 1.7 %	Consumer Discretionary 5 %	↑
Health Care 19 %	Real Estate -5.2 %	Consumer Staples 16 %	Consumer Discretionary -38 %	Energy -4.8 %	Health Care 0.9 %	Consumer Staples 2.1 %	↑
Energy 7.6 %	Energy -37 %	Utilities 14 %	Comm. Services -40 %	Utilities -10 %	Materials -1.8 %	Real Estate 0.97 %	↑

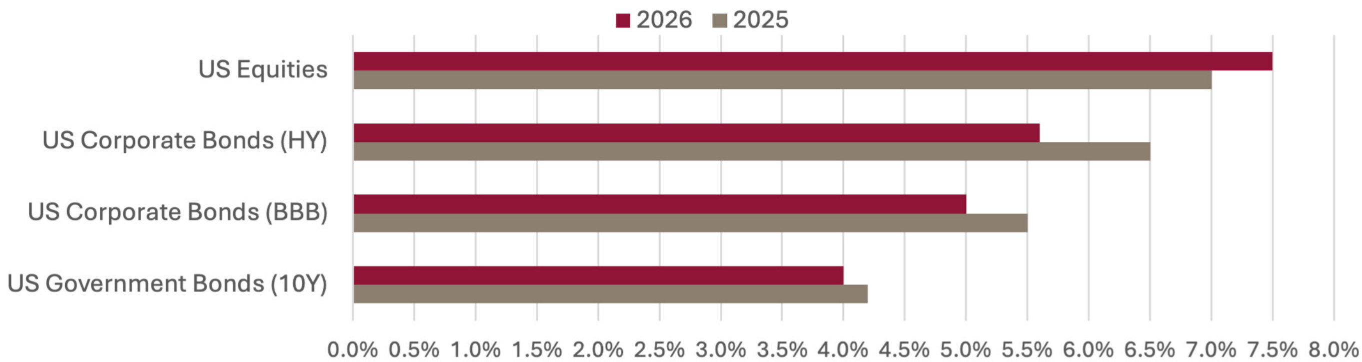
Source: Macrobond, performance data as at 5th December 2025. Past performance is not indicative of future returns. For illustrative purposes only.

Listed Infrastructure: In 2025, listed infrastructure delivered strong returns, but generally lagged the standout gains of US growth equities, underpinned by AI stocks. Utilities delivered double digit returns, benefitting from inflation-linked cash flows and rising electricity demand supporting earnings growth, underpinned by incremental demand from AI. Transportation assets, including toll roads and airports delivered mid-single-digit returns, benefiting from steady traffic recovery and inflation-linked revenues.

Energy infrastructure provided resilient performance, but commodity price volatility and policy uncertainty somewhat capped returns. Pure-play energy REITs and fossil-fuel-linked assets saw more modest gains compared to utilities as investor preference leaned toward electrification themes.

Looking ahead to 2026, the outlook remains favourable for utilities, amid continued inflationary pressure and supported by electrification trends and resilient demand. As digital infrastructure, particularly data centers, continues to expand and drive electricity demand, we expect a stronger correlation between traditional power assets, such as utilities, and technology-driven growth themes, reinforcing their strategic role in growth-oriented portfolios compared to the past.

LT Listed Market Entry Return Assumptions (%, 10Y, $)



Source: Fred St Louis, November 2025. Bonds returns equal to buy-and-hold entry yield, 10 Year Treasury Rate, ICE BofA BB US High Yield Index Effective Yield, ICE BofA BB US High Yield Index Effective Yield, S&P 500. Past performance is not indicative of future returns. Net entry returns, excluding effects of manager fees. There is no guarantee that the forecast highlighted may materialise.

Strategic Allocation Considerations: Long-term return assumptions for listed equities stand at 7.5%,[16] while IG USD debt offers entry yields near 5.0% and HY USD debt around 5.5%, implying a 6.5–7% return for a traditional 60/40 portfolio.[17] We expect market conditions to remain volatile as geopolitics, trade, and policy paths evolve.

At the same time, secular forces such as energy transition, digitalisation, and AI create new avenues for resilient growth and productivity but demand a more active approach to asset and geography selection as sector risk-return profiles continue to shift. Institutional investors are increasingly diversifying into alternatives, particularly infrastructure, to capture these trends.

[16] Bloomberg, November 2025. There is no guarantee that the forecast highlighted may materialise.
[17] Fred St Louis, November 2025

ALTERNATIVE CAPITAL FLOWS[18]

Alternatives Allocations

Cautious Constructive

Infrastructure Allocations

Cautious Constructive

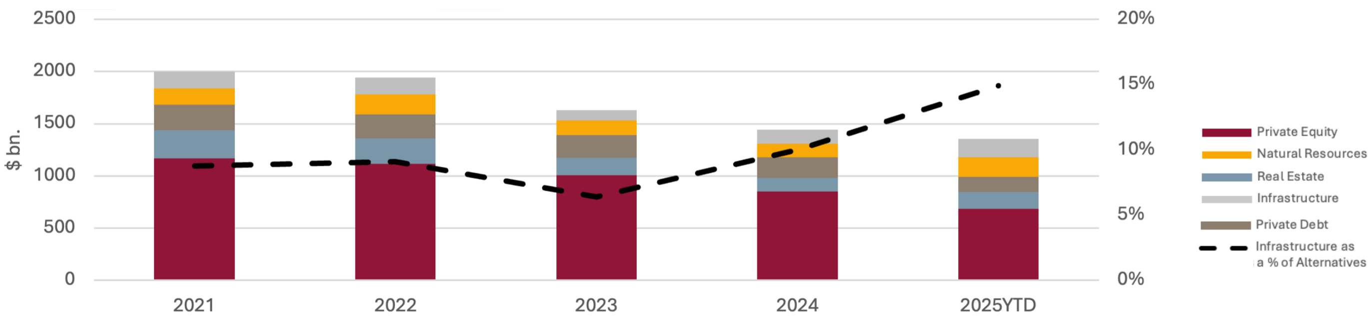
Infrastructure Transactions

Cautious Constructive

Alternatives Allocations:[19] After three years of deceleration following the fundraising peak in 2021, the environment for Alternatives in 2025 appears to be stabilising, with expectations for further improvement in 2026. Natural resources and real estate have shown signs of strengthening capital flows in 2025. In contrast, private equity fundraising remains sluggish, except for secondary strategies, marked by slower capital velocity, limited distributions, and higher borrowing costs, all of which are dampening transaction activity and refinancings.

Private debt fundraising has moderated slightly from the elevated levels of 2022 and 2023, as interest rates eased and the relative attractiveness of credit versus equity diminished. Nevertheless, we expect private credit to remain a core component of strategic asset allocations going forward, and to continue expanding over the medium-term. Conversely, in 2025 infrastructure recorded its strongest fundraising year on record, reaching $175 billion as of November, well above the $131 billion raised in 2024, although the trend toward concentration in large-cap strategies persisted, with average fund size rising to $1.9 billion from $850 million in 2023, underscoring investors' preference for managers with proven track records. In 2025, infrastructure's share of Alternatives has grown markedly from around 8% historically to approximately 15%, underscoring rising demand for the asset class.[20]

Alternatives-Fundraising by Asset Class ($ bn.)



Source: Preqin, November 2025. Past performance is not indicative of future returns.

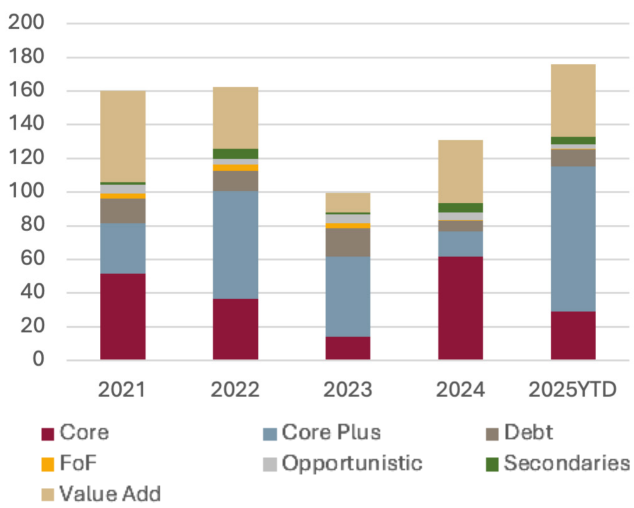
This growth is supported by infrastructure's evolving role in portfolio strategies as a return enhancer, underpinned by a strong alignment with megatrends as avenues for growth and value creation. A deeper secondary market has supported liquidity conditions, with average discounts in private infrastructure secondaries' deals narrowing to approximately 4% in 2025 from 7% in 2024, underscoring stronger demand and improved market conditions.[21]

Looking ahead, we expect private infrastructure to continue expanding, with growth concentrated in mid-market strategies. This reflects the abundance of megatrend-driven opportunities in the mid-market and the comparatively stronger exit optionality it offers versus the large-cap segment; an increasingly critical consideration for investors. While traditional closed-ended funds remain dominant, managers are increasingly exploring semi-liquid structures and tapping into private wealth and defined contribution pension channels. These approaches are still nascent and lack a long track record, in our view, but they are anticipated to broaden the fundraising base for the asset class over time.[22]

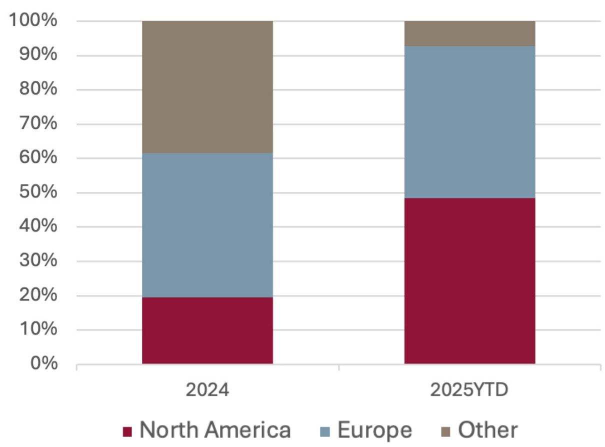
[18] Preqin, November 2025, Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.
[19] Preqin, November 2025
[20] Preqin, November 2025
[21] InfraLogic, October 2025. Past performance is not indicative of future returns
[22] Preqin, November 2025

Infrastructure Allocations:[23] In 2025, the fundraising landscape for infrastructure reflects a notable shift in investors' strategic and tactical allocations. While 2024 was marked by strong interest in core strategies, driven by the tactical opportunity to acquire assets at attractive entry yields, 2025 saw renewed momentum toward growth-oriented strategies, particularly core plus and value-add. These strategies are well aligned with capturing opportunities created by structural megatrends and the need to develop and expand infrastructure. Core strategies, which represented a robust 45% of allocations in 2024, declined sharply to 17% in 2025. By contrast, core plus strategies, surged to 49% in 2025, signalling a pivot toward funds offering higher growth prospects. Value-add strategies accounted for nearly 25% of fundraising in 2025, remaining broadly stable compared to 2024. This underscores investors' confidence in their growth potential, supported by secular tailwinds, as well as their comparative, tactical appeal versus private equity.

Infrastructure-Fundraising by Strategy ($ bn.)



Infrastructure-Fundraising by Region (%)



Source: Preqin, November 2025. Past performance is not indicative of future returns.

Private infrastructure debt fundraising, which reached a peak in 2023 at 17% of total funds raised, fell to around 5% in 2025. The prospect of lower interest rates, combined with weaker growth and the repricing of core infrastructure, appears to have dampened appetite for debt strategies, alongside a growing dry powder of capital that may have to be deployed in a lower interest rate environment. Nevertheless, we expect private infrastructure debt to remain an essential component of investor portfolios and to expand over the medium term.

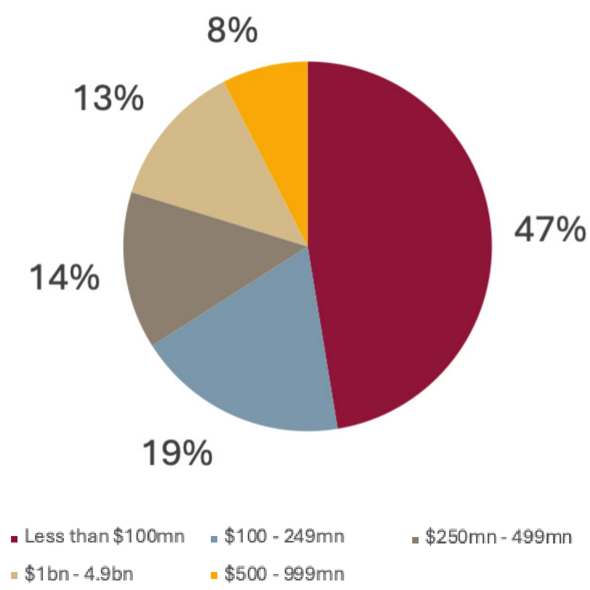
From a regional perspective, North America and Europe continue to attract the largest share of funds, with North America-focused vehicles accelerating sharply in 2025. This underscores the region's continued appeal despite recent policy volatility, driven by its structural depth and innovation in infrastructure markets, as well as opportunistic factors such as with renewables where entry returns have recently widened amid reduced liquidity.

[23] Preqin, November 2025

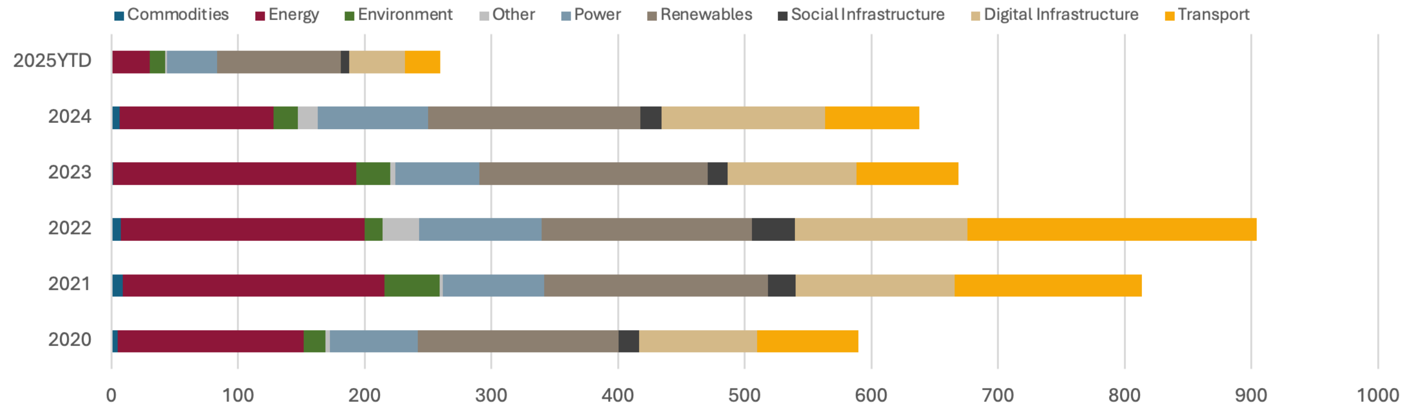
Infrastructure Transactions:[24] Infrastructure transaction volumes remain below the 2022 peak, primarily due to comparatively lower large-cap activity. The mid-market remains the epicentre of transactions, underpinned by a growing pipeline of transactions with 47% of closed deals being below $100 million, and 19% between $100 million and $249 million.

Investors are continuing to shift focus beyond sector allocations to thematic interdependencies created by decarbonisation and digitalisation, driving growth in mid-market infrastructure opportunities as they seek return-enhancing strategies. We expect this trend to continue in 2026, with transaction volumes gradually recovering, particularly in large-cap deals, as bid-ask spreads narrow and market activity picks up.

Infrastructure Deals Volumes by Size (2025 YTD, %)



Infrastructure Deals Volumes by Sector ($ bn.)



Source: Includes only private infrastructure equity transactions that reached financial close. Infralogic, Preqin, November 2025. Past performance is not indicative of future returns.

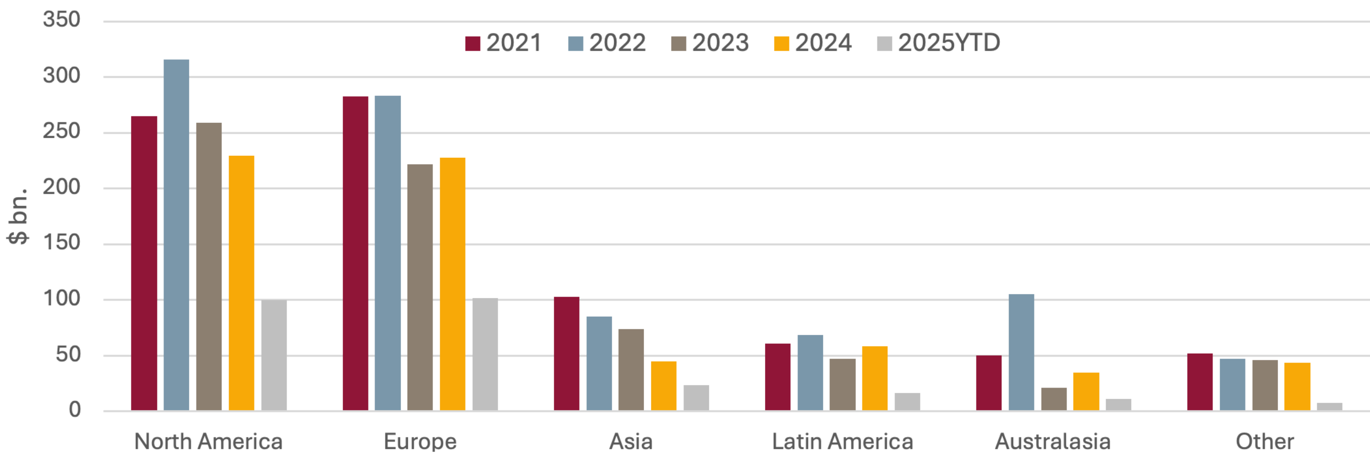
By Sector:[25] In 2025, the market continued to offer a diversified pool of infrastructure opportunities. Energy, including power and renewables, remained dominant, representing over 60% of transaction volumes. While overall energy deal activity declined, renewables and power gained traction, supported by electrification, energy security, and incremental power demand from data centres, despite some policy volatility in the US for renewables.

Digital infrastructure continued to account for roughly 20% of transaction volumes, underpinned by AI adoption and cloud computing, which are driving data centre investments. Transport, historically ~30–35% of transaction volumes, now represents ~10–15%, though decarbonisation opportunities are emerging as electrification advances and business models mature. Overall, energy transition, digitalisation, and AI are reshaping infrastructure markets, building scale, deepening the investment universe, and unlocking new growth pathways.

[24] InfraLogic, November 2025
[25] InfraLogic, November 2025

By Region:[26] Europe and North America remain the dominant global infrastructure markets, supported by mature institutional and regulatory frameworks. Recently, transaction volumes in Europe have overtaken North America as recent US policy uncertainty has slightly shifted investor preferences toward other regions, particularly Europe and Australia.

Infrastructure Transaction Volumes by Region ($ bn.)



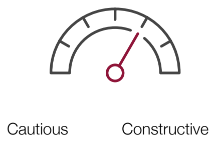
Source: Infralogic, November 2025. Past performance is not indicative of future returns.

Despite a sluggish economy, Europe benefits from a relatively stable policy environment and fiscal discipline. Germany's €1 trillion fiscal reform featuring a €500 billion infrastructure fund and renewed defense focus, has supported growth, even as energy security remains a critical challenge for preserving the region's industrial base.[27] Despite some policy uncertainty, related to the introduction of Executive Orders and the One Big Beautiful Bill[28] reducing regulatory support to renewables, North America continues to feature a vibrant digital and energy sector, with renewables driving significant transaction flow despite policy changes.

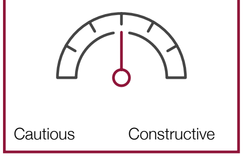
[26] InfraLogic, November 2025
[27] European Commission, The potential economic impact of the reform of Germany's fiscal framework, 19 May 2025
[28] Congress.gov, One Big Beautifull Bill Act, 4 July 2025

INFRASTRUCTURE PERFORMANCE

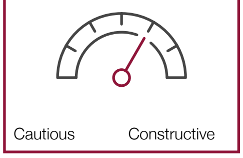
Performance[29]



Valuations



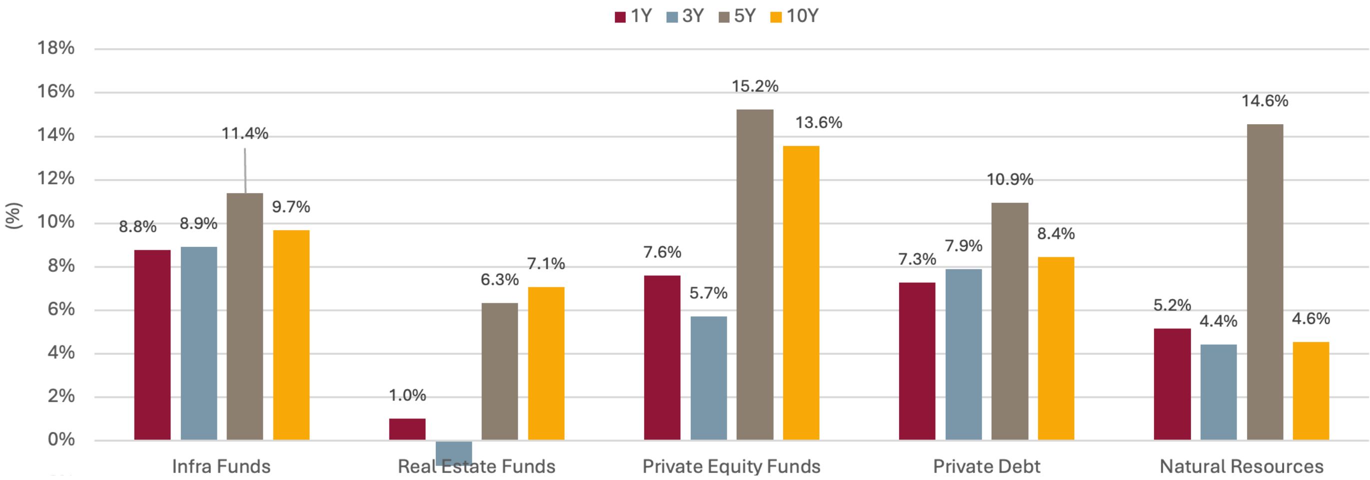
Returns



Historical Performance:[30] In 2025, infrastructure has shown strong performance resilience, continuing to outperform other alternative asset classes in an environment characterised by rising interest rates, inflation volatility and macroeconomic headwinds. As of June 2025, one-year returns for private infrastructure funds were 8.8%, slightly down from 8.9%, yet both one- and three-year performance remain ahead of Private Equity and Real Estate, which nevertheless improved in 2025 as lower central bank rates supported a valuation recovery.

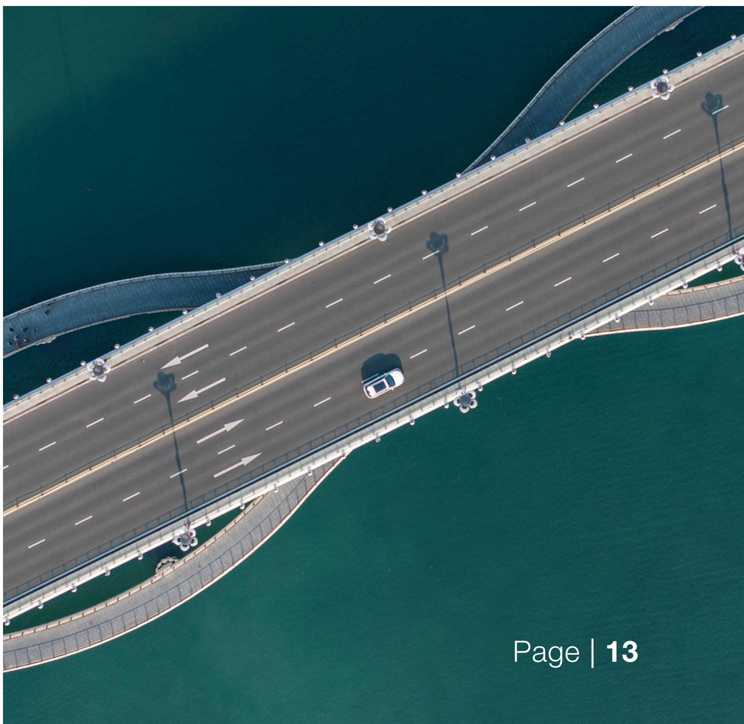
Supported by structural tailwinds from decarbonisation and digitalisation, infrastructure has begun to transition from a purely defensive allocation to a partial total-return enhancer. Its stronger short-term performance compared to private equity is leading some investors to reallocate portions of their private equity commitments toward growth infrastructure strategies.

Performance Analysis (Funds, Total Returns, 10Y to June 2025, %)



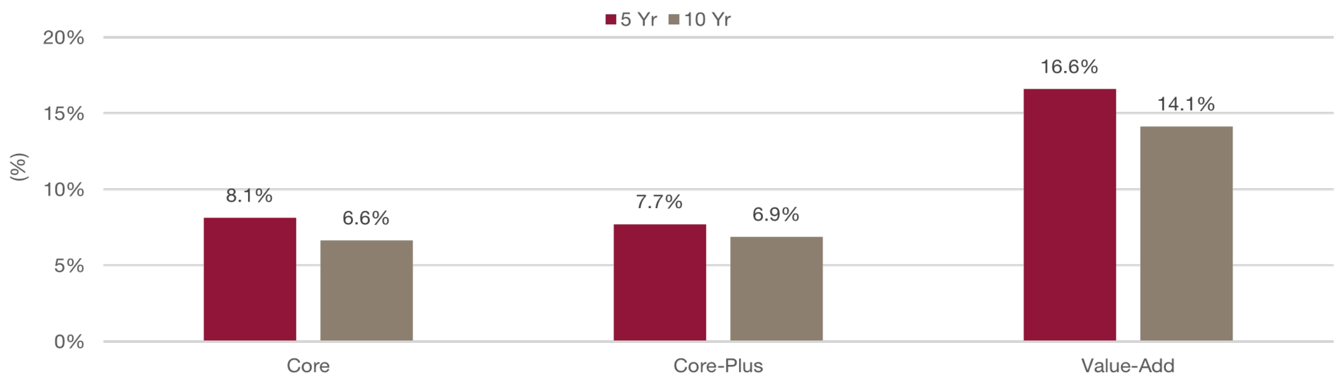
Source: Preqin, as at November 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

By strategy, core infrastructure assets with inflation-linked revenues continued to deliver stable cash flows, generating approximately 8% net returns globally over five years, supported by persistent inflation. Performance was broadly in line with core plus infrastructure, which faced partial exposure to pandemic-related macroeconomic volatility. Over a 10-year horizon, however, core plus outperformed core. Value-add infrastructure delivered around 16% total returns over five years and 14% over ten years, reflecting its relative resilience to systematic macroeconomic factors.



[29] Preqin, Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.
[30] Preqin, 2025

Performance Analysis (Assets, Annualised Total Returns, to September 2025, %)



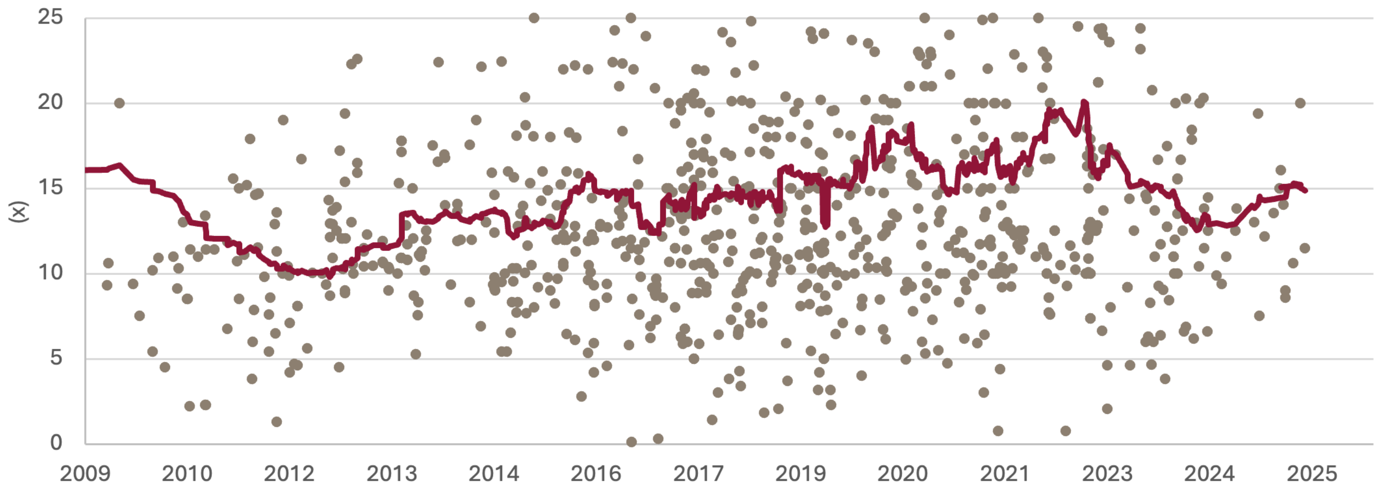
Source: Returns are derived from Scientific Infra™ and Private Assets, used under permission as at November 2025. Net entry returns, excluding effects of manager fees, in USD. VA performance based on Scientific Infra Opportunistic Infrastructure index. Past performance is not indicative of future returns.

Valuations:[31] Data from 2025 suggest that transaction multiples (EV/EBITDA) for private infrastructure valuations have stabilised and are beginning to rebound after several quarters of downward adjustment. The earlier decline was largely driven by rising long-term bond yields, which particularly impacted core assets with longer duration profiles. With long-term rates stabilising, bid-ask spreads have tightened, signalling improved market alignment, also reflected in narrowing discounts on the secondary market.

Sector-wise, utilities experienced the sharpest correction, falling to 11x EV/EBITDA in 2025 from a peak of 16x in 2018, followed by transportation, where valuations remain below historical averages. In contrast, energy sector valuations have strengthened, supported by supply-demand imbalances and expectations of higher energy consumption, partly linked to AI-driven growth. Digital infrastructure continues to trade at elevated levels relative to historical norms, though brownfield hyperscale datacentres are facing increasing pricing pressure as real estate capital enters the space, applying cap-rate-based valuation approaches. Given that transactions in 2025 were heavily concentrated in energy and datacentre deals, this partially explains the uptick in average valuations (EV/EBITDA) observed this year.

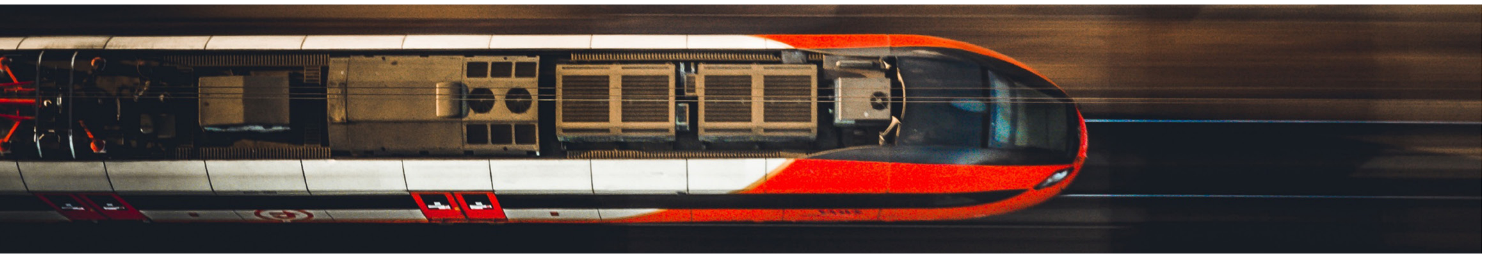
[31] InfraRed Capital Partners, Infralogic, December 2025. There is no guarantee that the forecast highlighted may materialise.

Infrastructure Transaction Multiples (EV/EBITDA, x)



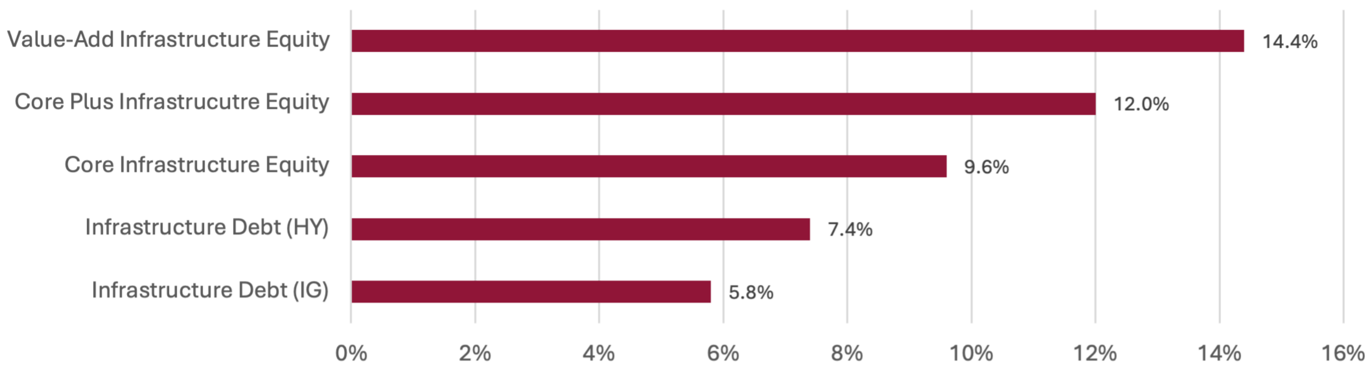
Source: InfraRed Capital Partners, Infralogic, November 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

For 2026, we expect some easing in long-term government bond yields to support valuations for long-duration assets. However, our base case assumes a relatively prolonged period of risk for long-term yields amid fiscal policy uncertainty. A weaker economic backdrop could drive further interest rate reductions and discount rate compression, providing additional support to valuations.



Returns:[32] In 2025, private infrastructure entry returns remained broadly stable, though recent rate cuts appear to have slightly compressed them. Core infrastructure now offers a total return premium over private infrastructure credit, as lower central bank rates have somewhat compressed entry returns for credit in 2025. For 2026, we forecast average entry returns for core infrastructure equity at approximately 9.6%, a material improvement versus the recent historical average of around 8%, though below last year's forecast of 10%. Core-plus infrastructure equity is expected to deliver entry returns of 12%, while value-add strategies remain broadly unchanged at 14.4%.

Private Infrastructure, Long Term Entry Return Assumptions by Strategy (%, 10Y)



Source: InfraLogic, Scientific Infra™ and Private Assets, used under permission data as at November 2025. Debt returns equal buy-and-hold entry yields, estimated from InfraLogic deal database. Entry returns are derived from Scientific Infra™ and Private Assets for Advanced Economies. Net entry returns, excluding effects of manager fees. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

[32] InfraRed Capital Partners, November 2025. There is no guarantee that the forecast highlighted may materialise.

ALLOCATION THEMES[33]

Headwinds
- Policy volatility
- Digital portfolio concentration
- Asset-light infrastructure

Tailwinds
- Mid-market and Secondary
- Growth infrastructure for return enhancement
- Digital-energy convergence

In 2026, several factors are shaping investors' allocation decisions across the infrastructure landscape. These forces create a mix of headwinds and tailwinds, influencing where capital may face constraints and where appetite is likely to grow.

Headwinds

Policy Volatility: US Infrastructure Policy Changes:[34] In 2026, fiscal policy is likely to influence the cost of capital, especially in countries with limited budget flexibility where government bond yields may be volatile. Geographic diversification becomes increasingly critical as investors seek markets with supportive policy frameworks.

- **US:** In the US, recent policy shifts have introduced uncertainty around tariffs and reduced renewable subsidies. Yet, fundamentals remain strong: energy demand growth driven by data centres, industrial reshoring, and electrification continues to support investment in renewables, storage and LNG. Solar, wind, and battery capacity additions are expected to rise through 2027, while subsidy reductions may create opportunistic entry points amid lower liquidity.
- **Europe:** Across Europe, despite fiscal pressures in some markets, infrastructure policy remains predictable. EU-wide frameworks such as Fit-for-55 and REPowerEU provide clear long-term signals, while permitting improvements and consistent decarbonisation targets bolster confidence. Energy security has become a key priority amid higher prices, driving significant capital deployment and spurring further supportive policy measures.[35]

[33] InfraRed Capital Partners, December 2025. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.
[34] Bloomberg New Energy Finance, April 2025
[35] European Commission, REPowerEU at a glance, May 2022

Digital Portfolio Concentration: Digital exposure has grown significantly in recent years, driven by strong performance and large-scale investments in data centres and fibre. This megatrend remains an important tailwind. However, with many portfolios now more heavily weighted toward digital themes, particularly fibre and data centres, some investors are becoming more selective in pursuing new allocations, particularly for co-investment and are seeking greater thematic differentiation.

Asset-light infrastructure: Infrastructure as an asset class continues to expand into asset-light sectors and service-based models. Investors are increasingly cautious, as these businesses may reveal characteristics closer to corporate services than traditional infrastructure once they mature, raising valuation risk and reducing exit flexibility.

Tailwinds

Digital-Energy Convergence: The rapid growth of digital infrastructure driven by AI, cloud, and data intensity is creating unprecedented power demand, making energy infrastructure a critical enabler of digital expansion. More digital means more power, and this trend is amplified by rising trade barriers and regionalization, which heighten the need for energy security. Consequently, demand for renewables, batteries, gas, and electrification is expected to remain strong, offering investors opportunities across integrated digital-energy strategies and the broader energy ecosystem.

Mid-Market and Secondary: Mid-market transactions are increasingly the focal point of deal activity, offering capital for expansion and incremental growth across strategies while maximising exit optionality. At the same time, secondary transactions have become a key lever for capital recycling, enabling investors to unlock liquidity and rebalance portfolio exposures. Together, these dynamics support portfolio agility and alignment with evolving investment themes.

Growth Infrastructure: Growth-oriented infrastructure strategies are gaining traction as investors seek higher returns and exposure to themes such as energy transition, digital connectivity, and new mobility. This trend also reflects a shifting opportunity set where innovation and growth are increasingly central to infrastructure investing.

Allocations

Allocations - Tactical View, 2025[35]

By Type	Cautious				Constructive
Infrastructure Equity (Primary)				◕	
Infrastructure Debt IG			◑		
Infrastructure Debt HY			◑		
Infrastructure Secondaries			◑		
By Strategy					
Core			◑		
Core Plus			◑		
Value-Add				◕	
By Size					
Large-Cap		◔			
Mid-Market				◕	
By Geography					
Eurozone				◕	
UK			◑		
United States			◑		
Australia				◕	
Asia-Pacific Mature (ex. Australia)			◑		
Asia Pacific Emerging		◔			
By Sector					
Renewables & Storage			◑		
Energy Generation				◕	
LNG Infrastructure			◑		
Utilities			◑		
Heating & Cooling Electrification				◕	
Airports				◕	
Toll Roads			◑		
Ports		◔			
Ferries			◑		
EV Charging			◑		
Rolling Stock & Fleet Leasing				◕	
Logistics Infrastructure			◑		
Telecom Towers (incl. Small Cells)			◑		
Fibre		◔			
Datacentres (Hyperscale)		◔			
Datacentres (Colocation)				◕	

Notes: *Outlook ranges from ○ = Very Cautious to ◔ = Cautious, through ◑ = Balanced to ◕ = Constructive and ● = Very Constructive. Source: InfraRed Capital Partners, as of November 2025. Notes: This table incorporates a multi-dimensional assessment of infrastructure investment dynamics, considering asset-level supply and demand imbalances, return expectations across strategies, and operational and systemic factors. The analysis reflects both short-term market signals and medium-term structural trends, providing a synthetic forward-looking signal of capital deployment, performance, risk management, and thematic positioning.

[36] InfraRed Capital Partners, November 2025. There is no guarantee that the forecast highlighted may materialise.

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HEAD OF RESEARCH

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