



MACQUARIE ASSET MANAGEMENT

Unlocking alpha in disruptive times

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Contributors



Daniel McCormack

Head of Research



David Roberts

Head of Real Estate Strategy



Aizhan Meldebek

Global Infrastructure Strategist



James Lumb

Global Private Credit Strategist



John Horner

Global Liquid Credit Strategist



Audrey Lee

Research Analyst



A letter to investors

This time last year our mantra was ‘plan for growth, prepare for volatility’, a thesis that has borne out as the global economy and markets ultimately shrugged off a number of disruptive events, most notably ‘Liberation Day’ and the associated retaliatory export restrictions, mini-fiscal crises in France and the UK, and conflict in the Middle East. Robust consumer spending and the ongoing tailwind of the artificial intelligence (AI) super cycle have sustained economic growth in the US, while rising real incomes and falling interest rates have supported a recovery in the Euro area and UK. China has so far successfully mitigated the impact of US tariffs by reorientating trade to other countries and is likely to comfortably hit its 5% GDP growth target, notwithstanding a slowdown in investment spending.

We expect global GDP growth to be around 3.5% in 2026, driven by ongoing strength in developed-world consumer spending, further growth in investment into AI infrastructure, and modestly easier monetary policy. This is a positive backdrop for asset prices and returns generally. If AI productivity gains start to come through next year, global growth could be stronger, with some studies suggesting a potential uplift to labour productivity growth of around one percentage point in the early-adopter nations. Given AI’s task progression and the speed with which it is reaching human-level performance, we believe the productivity gains could be even greater. On the downside, the eventual scale and impact of tariffs remains a risk. We estimate a 9-18 month lag from announcement to the impact of tariff increases, suggesting the biggest economic impact from this year’s tariff increases could materialise in the first half of 2026.

In the longer term, a number of emerging themes are likely to materially influence global politics and economic policy. Deglobalisation and a declining contribution of global trade to economic growth is a trend we expect to persist, to the benefit of revitalised domestic manufacturing and local supply chains. National resiliency is now a key topic of interest across the majority of G20 nations. Meanwhile, the dissolution of the US Government’s Department of Government Efficiency (DOGE) highlights the political challenge of addressing elevated levels of government debt with the potential to constrain fiscal policy in the future. We also observe deepening political polarisation in many developed nations, which we attribute, at least in part, to lower economic inclusion among younger generations, a trend that could be exacerbated by the rise of AI in the near term.

From a thematic standpoint, while we continually test our assumptions in light of the evolving macro backdrop, we retain our long-term conviction in the four core themes of demographics, digitalisation, deglobalisation and decarbonisation, which inform our investment focus within asset classes. In the past 18 months, Macquarie Asset Management (MAM) has realised more than \$US50 billion in gross proceeds from investments in hyperscale data centres, including the largest realisation in MAM's history, yet we continue to invest meaningfully in the sector. Similarly, despite the broader institutional pullback on climate-related commitments in the last year, particularly in the US, we maintain our positive view of the long-term economic and societal case for renewables and the energy transition, a theme that continues to resonate strongly with global institutional and wealth investors.

While our macro thematics remain largely unchanged, now more than ever, on-the-ground insights and local expertise are essential to translating these insights into actionable investment opportunities. Reflecting this approach, our global team of investment professionals is focused on a diverse set of opportunities across our broad asset management platform in the year ahead, as further detailed in this report:

- **Infrastructure.** Fundraising and deal activity rebounded strongly this year, and we expect this momentum to continue into 2026. Infrastructure valuations represent an attractive entry point, particularly relative to listed equities. Earnings growth is likely to remain robust, supported in the near term by healthy nominal GDP growth and in the medium term through exposure to the compelling secular trends of digitalisation and electrification. Indeed, the race for AI supremacy is rapidly evolving into a race for power supremacy: in 2025 the US is projected to add a record 64 gigawatts (GW) of new utility scale power capacity, of which more than half will be solar, compared with more than 290 GW of power added in China in the first half of the year alone.
- **Real estate.** After several challenging years, real estate looks to be a compelling value play in 2026. Yields have expanded sharply across most sectors and markets, creating an attractive entry point for investors. In our view, the best opportunities remain in sectors supported by underlying supply-demand imbalances, such as living, logistics and data centres. Investors that can deliver properties into this supply-constrained environment will be positioned for strong risk-adjusted returns in the medium to long term.
- **Credit.** Major bond markets have diverged during the year. While the prospect of further easing by the US Federal Reserve (Fed) has continued to provide a positive backdrop for US Treasuries, bond markets in Europe and Japan have struggled due to fiscal pressures in the former and inflationary pressure in the latter. While credit spreads remain tight by historical standards, all-in yields remain high relative to recent history and expectations for healthy total returns should drive demand. Private credit has continued to witness significant growth. The outlook for direct lending in 2026 is strong in both the US and Europe, where we expect an uptick in deal volumes driven by increasing private equity M&A activity as interest rates continue to moderate. Asset-backed finance is also poised for strong growth in 2026, in our opinion. Private credit's share of the total addressable market is still very low and set to increase. Within this market, we believe infrastructure debt is particularly interesting given the long-term themes discussed above.

As ever, we welcome the opportunity to discuss the views in this Outlook, and we look forward to working with our investors and portfolio companies as we execute these strategies and, importantly, seek to deliver positive impact for the communities we serve.



Ben Way
Group Head,
Macquarie Asset Management

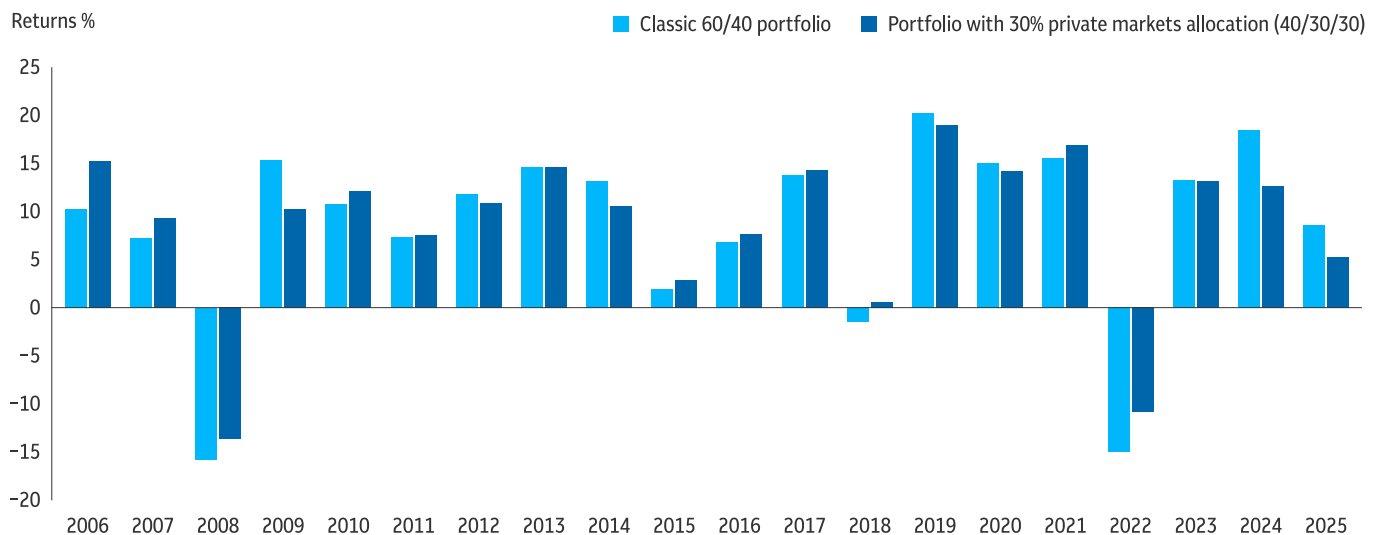
Global economic and investment outlook

Tariffs, AI and fiscal challenges

After a difficult 2022, when elevated inflation and rising policy rates undermined returns for equity and debt alike, markets and asset prices have performed strongly over the past three years. The classic 60/40 portfolio ('classic portfolio') has averaged an annual return of 13.4% over that period, easily outpacing its post-World War II average of 9.7%¹ (Figure 1). So far in 2025,² the classic portfolio has returned 8.6%, with equities (10.6%) performing better than bonds (5.6%), although 2025 has been the best year for bonds since 2020.¹

Figure 1

The classic 60/40 portfolio has delivered 8.6% so far in 2025



Sources: Macrobond, www.shillerdata.com (November 2025). Cambridge Associates Infrastructure Index; Cliffwater Direct Lending Index; Cambridge Associates US Private Equity Index; INREV Global Real Estate Fund Index (GREFI). Past performance is not indicative of future returns.

The performance of a portfolio with a 30% allocation to private markets³ ('private markets portfolio') has been slightly more subdued since 2022 (averaging a 10.3% annual return) but has been stronger over the longer run (in both absolute and risk-adjusted returns) and experiences smaller drawdowns during crises (Figure 1). Since 2005⁴ the classic portfolio has delivered an average annual return of 8.6% at a standard deviation of 10%, while the private markets portfolio has delivered an 8.8% average annual return at a standard deviation of 8.7%. In 2008 the classic portfolio lost 15.8% of its value, while the private markets portfolio lost only 13.7%; in 2022 these portfolios lost 15.0% and 10.8%, respectively.

1. www.shillerdata.com

2. Year to date as at 30 September 2025.

3. An optimised allocation to private credit, private core real estate, private infrastructure, and private equity.

4. On a purchasing power parity basis.

Addressing the post-COVID-19 surge in inflation, which allowed interest rates to fall and growth to return, has been the foundational pillar of the better performance of asset prices over the past three years. In 2025 solid economic growth, which has driven earnings higher, has been key. The US economy has grown robustly despite the challenges from policy volatility and higher tariffs, while in the Euro area and UK growth has been steadily returning since early 2024, fuelled by rising real incomes, falling interest rates, and a more buoyant consumer. So far China has weathered the trade war well, with exports to the rest of Asia, Latin America, and Oceania picking up to offset the loss of US market share. Domestic demand remains sluggish, however, as the housing market funk and involution weigh on investment spending.

As we look ahead to 2026, the global economy faces some important near-term challenges, such as a sizeable shock to global trade and finely balanced fiscal positions in many of the world's largest economies, that will need to be navigated carefully. But it retains good momentum, consumer balance sheets are healthy, monetary policy is being steadily loosened, and the tailwind from artificial intelligence (AI) could be intensifying. In our view, global growth is likely to be around 3.5% next year.

This leaves us constructive on the outlook for asset prices generally, and we expect 2026 to be another year of healthy returns for investors. Valuations remain a concern for listed equities, but if global growth performs as we expect, earnings should be sufficient to drive solid returns. For low-risk debt, the relatively elevated yield starting point provides a solid foundation for returns, with the potential for additional upside should inflation dynamics prove more benign than currently expected. The outlook for higher-risk debt is challenged by the low level of spreads, although 'all-in' yields continue to support demand, and asset-backed finance (ABF) presents some attractive opportunities.

The most compelling opportunities are, in our view, in infrastructure and real estate. Infrastructure valuations have returned to close to their long-run average levels in recent years and earnings growth is likely to remain robust, supported in the near term by healthy nominal GDP growth and in the medium term by its high exposure to the compelling secular trends of digitalisation, demographics, and the energy transition. The strength and reliability of its earnings growth remain fundamentally underappreciated, in our view.

After several challenging years, real estate looks to be a compelling value play in 2026 with much improved demand-supply fundamentals. In our view, the best opportunities remain focused on living and logistics and adjacent subsectors, such as data centres where rental tensions are evident. Investors that can deliver properties into this supply-constrained environment will be positioned for potentially strong risk-adjusted returns.

Beyond 2026, there are competing structural pressures at work on the global economy. We continue to believe, as originally laid out in our Outlook 2023, that deglobalisation, demographics (ageing), and political economy preferences are constraining supply-side growth, while AI is pushing in the other direction. Indeed, the evidence suggests AI holds out the tantalising possibility of a return to the 'Goldilocks' economy of the late 1990s and early 2000s.

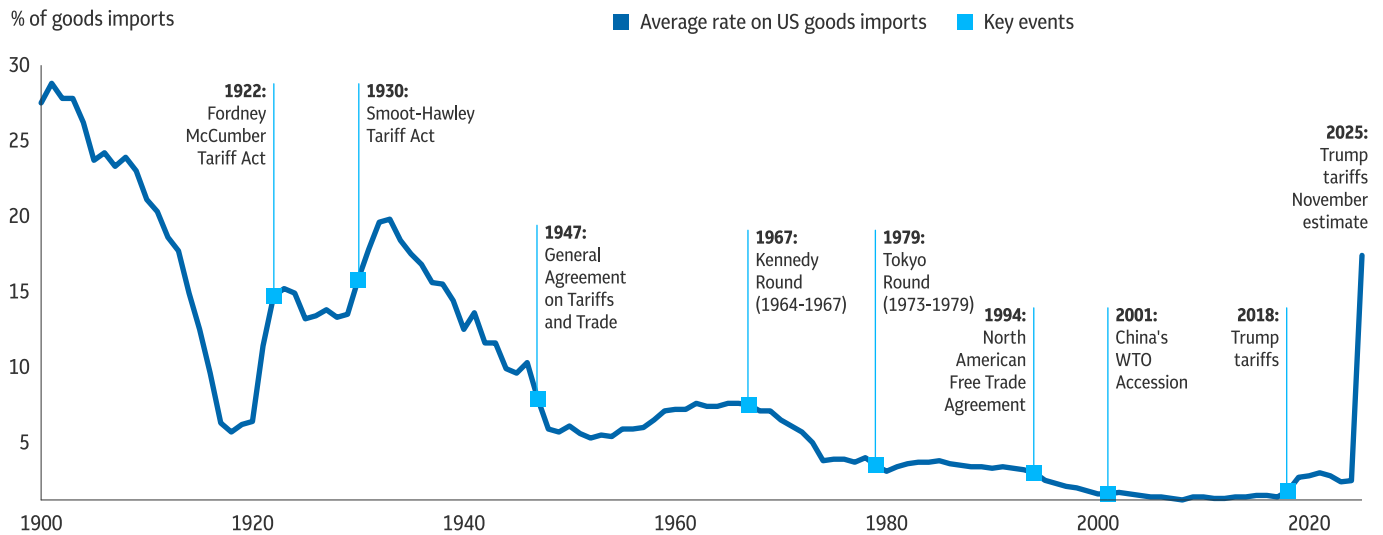
Deglobalisation, US tariffs, and trade policy: A major shock to global trade

After the disastrous 1930s, when tariffs were increased significantly in many countries around the world in an attempt to protect domestic industry and jobs, the world entered a post-WWII multidecade period of ever lower tariff barriers as governments aimed to fully capture the benefits of free trade. The trend reversed this year, with US tariffs rising sharply as the Trump administration seeks to reorder global trade. Based on the announcements to date, at the time of this writing the weighted average tariff rate (WATR) on US goods imports is around 17.4%, a marked step up from 2.5% in 2024. This would take tariffs back to levels not seen since the 1930s and represents the largest one-year increase in tariffs since the start of the 20th century (Figure 2).



The most compelling opportunities are, in our view, in infrastructure and real estate.”

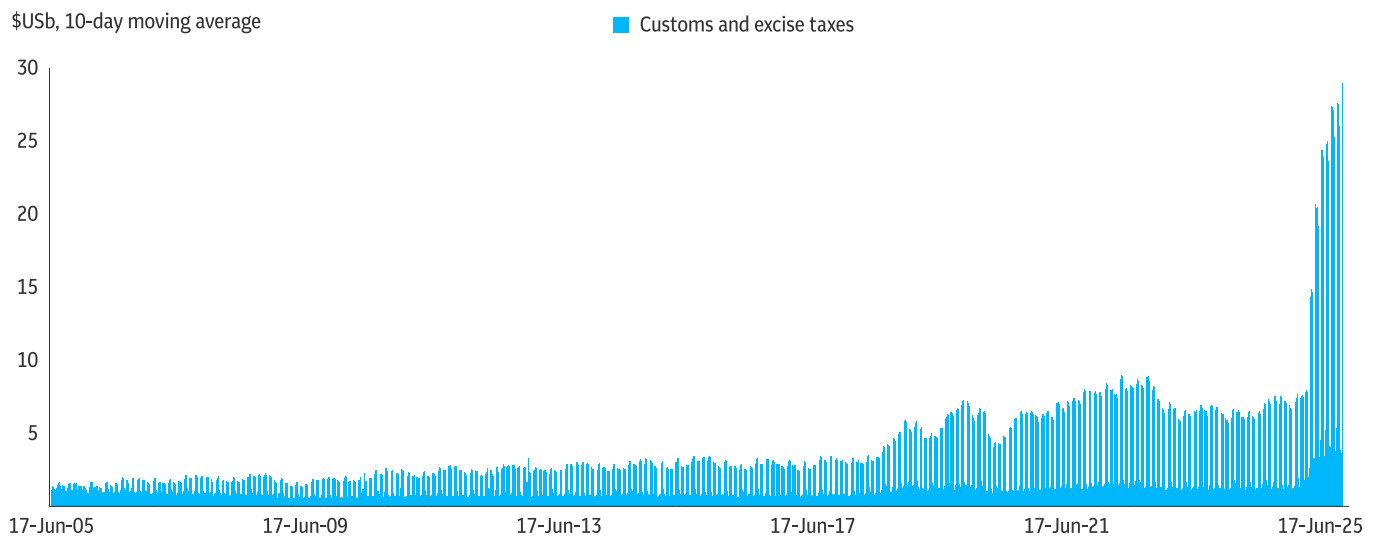
Figure 2
US tariffs – announced level of US tariffs relative to history



Sources: Tax Foundation, Macrobond, Yale Budget Lab (November 2025).

There has been a lot of back and forth on tariff announcements, and an alternative approach to tracking the size of the trade policy shock is through the tariffs that are being collected by the US government. Figure 3 below shows the latest data. Revenues are currently tracking at around \$US30 billion per month, or around \$US350 billion per year, which adds up to a WATR of 10.6%. The gap between the collected and announced tariff level is due to the lag between announcements and their implementation, and it would be reasonable to assume the amounts collected trend toward the announced level over time, even though the latter is a moving target. This said, even the current implemented level of 10.6% is a more than 4x increase on 2024. However you measure it, this is a large shock to US and global trade. The critical question is: how large an impact will it have on the US and global economies?

Figure 3
Tariff revenue collected

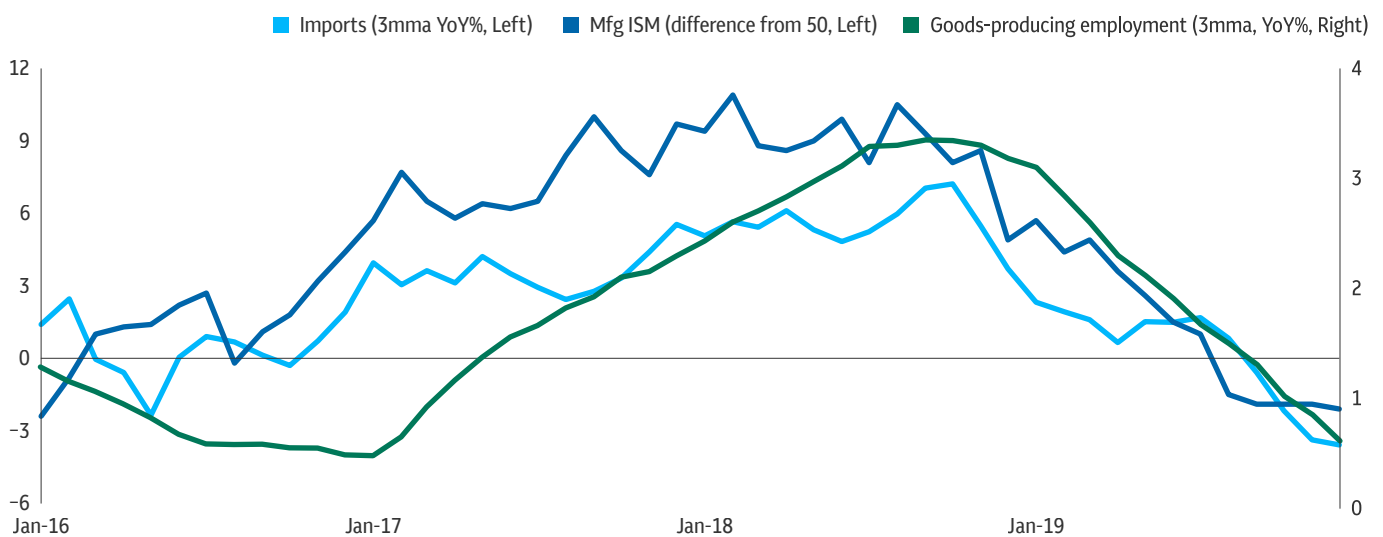


Source: Macrobond (November 2025).

Tariffs were also a feature of the first Trump term (Trump 1.0), with the WATR doubling from 1.4% in 2017 to 2.8% in 2020. President Trump first announced tariffs in January 2018, and they steadily ratcheted up from there. What impact did this have on economic activity? Roughly nine months later, both imports and US trade in general, as well as the manufacturing ISM, turned down (Figure 4). A drop in employment in the goods-producing sector followed a few months later, and by the middle of 2019 there was real concern about the economic outlook. The US Federal Reserve began cutting rates in early August, and the US yield curve inverted later that same month. COVID-19 then broke in early 2020 and washed over these dynamics, meaning we will never know whether this was a sufficient shock to send the US economy into recession.

Figure 4

Tariffs and their economic impact in Trump 1.0



Source: Macrobond (November 2025).

A look at the data can provide us with some insights, however. The goods-producing sector went from adding around 50,000 jobs a month in 2018 to losing around 12,000 jobs a month over August-December 2019 (the most intense period of economic weakness). At this time the services sector, supported by the earlier Trump tax cuts, was adding around 185,000 jobs a month, meaning the goods sector was a drag on employment of around 6.5% of what the services sector was adding. The power of multipliers and knock-on effects should never be underestimated, but this suggests it is unlikely that this was a tariff shock of sufficient magnitude to drag down the entire US economy.

To date both the US and China have weathered the 2025 trade shock well. In the US, the economy grew very strongly through the middle of 2025, supported by a robust consumer, spending on AI, optimism around easier monetary policy, and strong corporate earnings. China has found alternative markets for its exports, with trade to the rest of Asia, Europe, and Oceania surging to offset the decline in US trade. But the trade shock this year is orders of magnitude larger than in Trump 1.0. Like back then, the goods-producing sector is currently subtracting from overall employment levels, but key to the outlook will be to what extent this spills over to the rest of the economy and whether this negative shock will be offset by modestly easier monetary and fiscal policy and the stimulus from AI. One lesson from the Trump 1.0 period is that the lag from tariff increase to economic impact appears to be 9-18 months, suggesting the biggest impact from this year's tariffs increases could come in 1H26.

Longer term, in our view, the global economy has entered a period of deglobalisation from a trade and cross-border investment perspective.⁵ After rising for six decades, trade as a share of global GDP has stagnated since 2010 (Figure 5). Many factors have likely contributed to this slowdown:

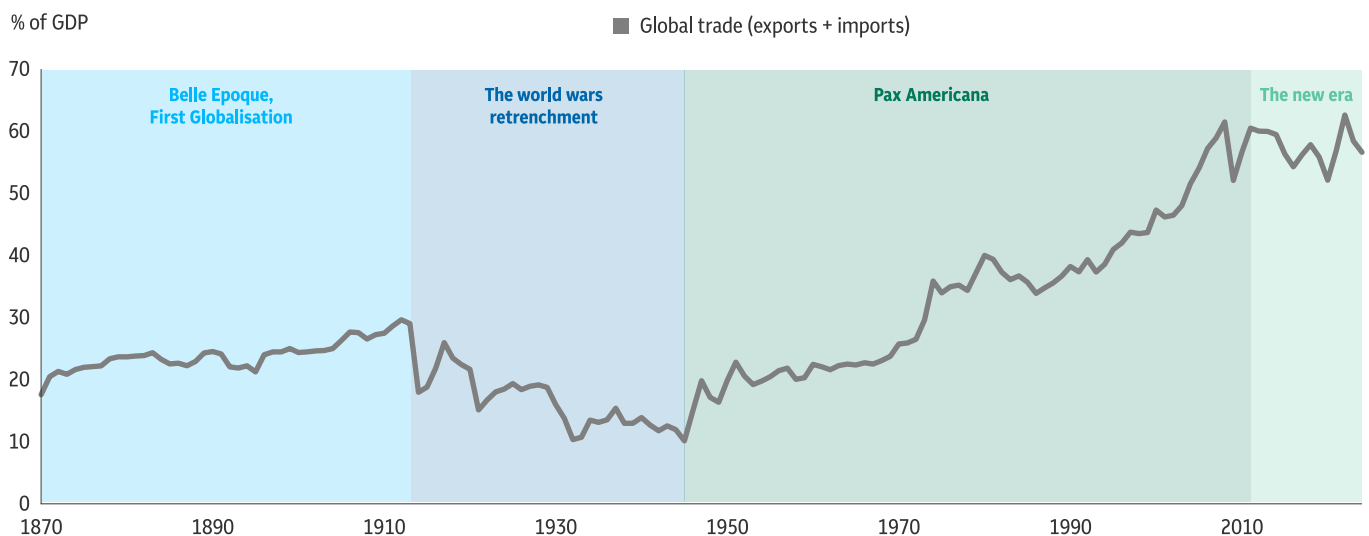
- A political backlash against global institutions and the globalisation process. The economic losses from free trade tend to be more concentrated than the gains, leading to a hostile political dynamic in many countries and concerns about a loss of sovereignty.
- Greater geopolitical tensions and risks, leading to restrictions on specific categories of trade and an environment more inviting of broader restrictions.
- Concern about the reliability of supply chains in the aftermath of COVID-19, giving rise to reshoring and reduced fragmentation of production globally.
- A natural bottoming out of the stimulus to trade from falling tariffs as they approached the zero lower bound.



Longer term, in our view, the global economy has entered a period of deglobalisation from a trade and cross-border investment perspective.”

Figure 5

Global trade is stagnating as a share of economic activity



Sources: Our World in Data, International Monetary Fund (IMF) (November 2025).

Cross border foreign direct investment (FDI) flows have also slowed in recent times, with FDI as a share of global GDP falling from 40-60% in the 2013-2017 period to 20-25% over the past two years (Figure 6). Trade and FDI are naturally linked, so many of the factors mentioned above will have also impacted this flow of sticky investment. The key point though is that these drivers are likely to be durable features of the economic and political landscape for many years, meaning the trend of deglobalisation in trade and investment is here to stay. This has both direct and indirect economic and investment implications.

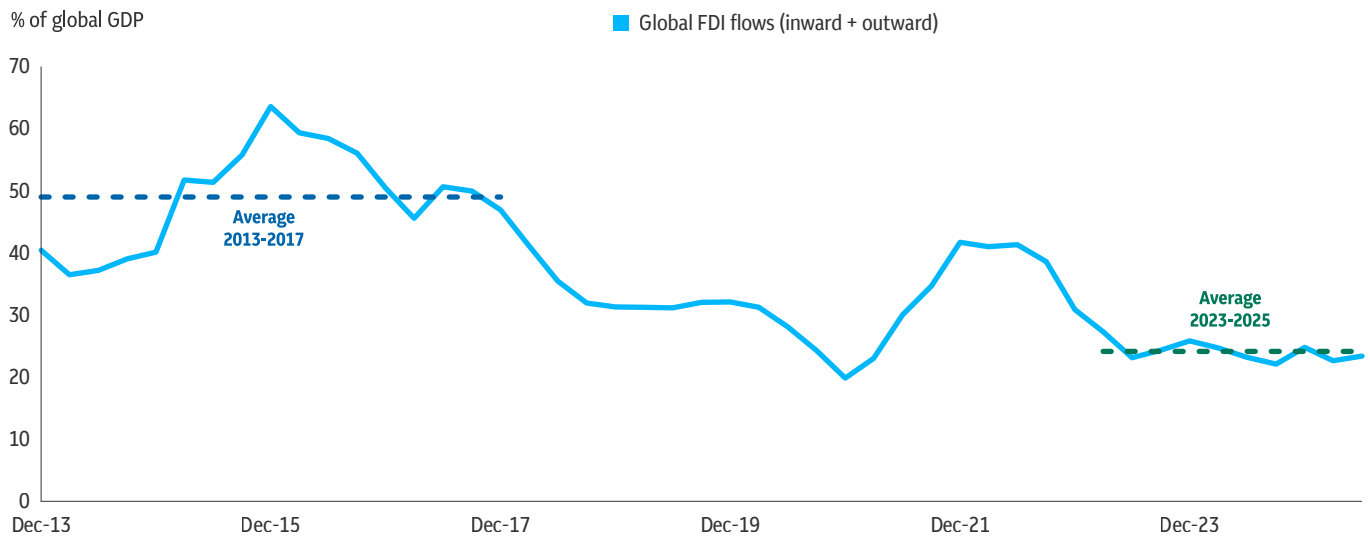
- The global trade-to-GDP growth multiplier is likely to be lower going forward than it was in the post-WWII period.
- Domestic manufacturing in the developed world (DW) could see something of a renaissance as firms bring production 'home' and technological innovations drive efficiency.

5. Real estate, private infrastructure, and private equity.

- There will be less external disinflationary pressure on the DW economies from the allocative efficiency gains and intense competition that come from globalisation. This is likely to give inflation an underlying buoyancy it hasn't had for decades.
- DW labour could see its bargaining power return, kindling a recovery in labour's share of GDP and moderating corporates' share of GDP.

Figure 6

FDI flows as a share of economic activity have fallen significantly since 2015



Sources: Organisation for Economic Co-operation and Development (OECD), IMF (November 2025).

Key takeaways and conclusions

- The trade shock to the US and global economies from US tariff increases is large by historical standards.
- So far, China and the US (the two main protagonists) have weathered the pressures well, with China finding alternative export markets to compensate for its declining US market share and the US summoning additional growth drivers to keep the economy growing strongly.
- A lesson from Trump 1.0 is that roughly nine months after the increase in tariffs the negative effects on trade and the US goods sector started to be felt. This might imply that the economic impacts from this year's tariffs could start to exert themselves most forcefully in early 2026.
- The question for growth in 2026 is whether modest monetary and fiscal easing, in conjunction with the boost from AI, will be enough to offset the headwinds from slowing trade, or whether the weakness in goods-sector employment spills over to other parts of the economy.
- Longer term, the global economy has entered a period of deglobalisation, as trade and cross-border investment flows slow. This means the trade-to-GDP growth multiplier will be lower going forward compared to recent decades, and DW inflation is likely to have an underlying buoyancy not seen for decades.

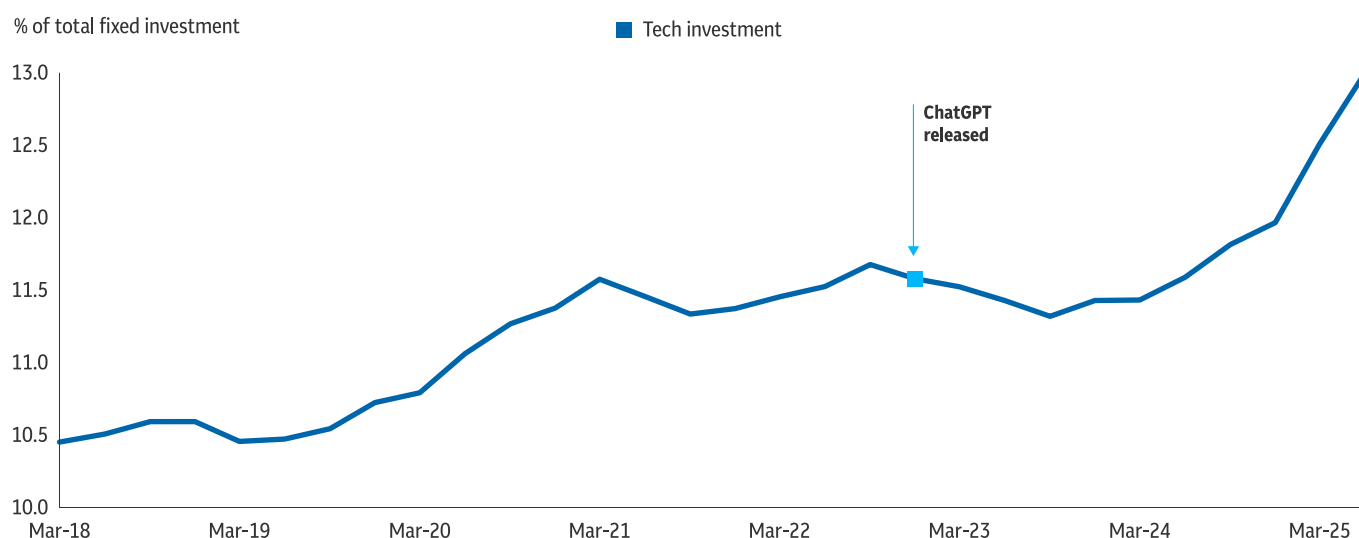
Impact of AI: More powerful than the internet revolution

Since ChatGPT was launched in November 2022, there has been an explosion of interest and activity in the technology, fuelled by its undeniably impressive capabilities. It has become a staple topic in company earnings announcements and in market and press commentary. From an economic perspective it has the potential to boost productivity, not just by adding to the capital stock but also by increasing total factor productivity.

There is now plenty of evidence that AI is indeed adding to the capital stock. Companies, particularly the large tech companies, are investing huge amounts in AI and it is showing up in the National Accounts. Tech investment⁶ has surged as a share of total fixed investment since 4Q23 (Figure 7), one year after ChatGPT was released. Indeed, this investment explains a surprisingly large amount of the recent strength in US GDP growth – this category of investment (which is around 2.5% of the entire economy) has accounted for around 15% of the growth in the US economy since 4Q23.

Figure 7

Tech investment surging, supporting US growth



Sources: US Bureau of Economic Analysis (November 2025)

Companies will need to see a return on this investment, however; otherwise spending could fade, dragging GDP growth back down. The Massachusetts Institute of Technology (MIT) recently published an interesting survey, which suggests the return has, so far, been minimal. The report⁷ discusses a number of problems but emphasises AI systems' inability to adapt, remember, and evolve, with the result that "95% of organisations are getting zero return". This harks back to the internet boom of the late 1990s, when the commercial potential of the technology was clear but the return on all the capital expenditures (capex) spending wasn't coming through. Could history be repeating itself?

There are certainly reasonable grounds for being concerned about disappointment in AI's impact leading to a slowdown in spending on it. The long history of innovations – from the railroads to electricity to the internet – is that, following a technological breakthrough, expectations first surge as excitement around its potential captures investors' imaginations. Then, as take-up is slower than hoped (the price of the technology is often a key consideration here), or the expected productivity gains don't come through immediately, expectations (and the value of said technology) sink. There is then a steady but consistent recovery from that low as penetration increases and the productivity benefits become apparent. This stylised picture, which has repeated itself many times since the industrial revolution in the mid-19th century, is neatly captured by the Gartner Hype Cycle.

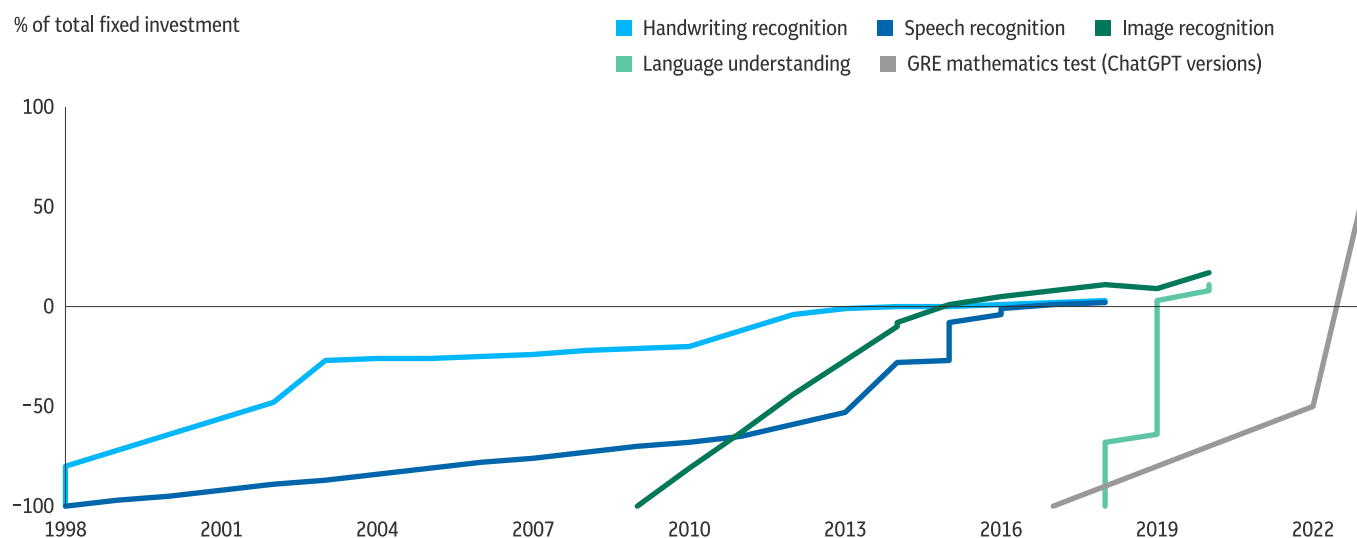
6. This is investment in computers and peripheral equipment, communication equipment, data centres and power and communication.

7. See ["The GenAI Divide: State of AI in Business in 2025"](#), MIT NANDA.

Could AI be at, or close to, the ‘peak of inflated expectations’? History would suggest this is a risk. But even if it is, any period of weakness in investment spending isn’t likely to last long, in our view. Generally speaking, the diffusion of new technologies tends to be happening more rapidly over time, a trend that itself is due to technological advancement. Moreover, the speed of AI’s task progression (shown across a range of tasks in Figure 8) is exceptional. These factors combined suggest any period of disappointment is likely to be relatively short.

Figure 8

AI and its task progression over time



Source: IMF (October 2025).

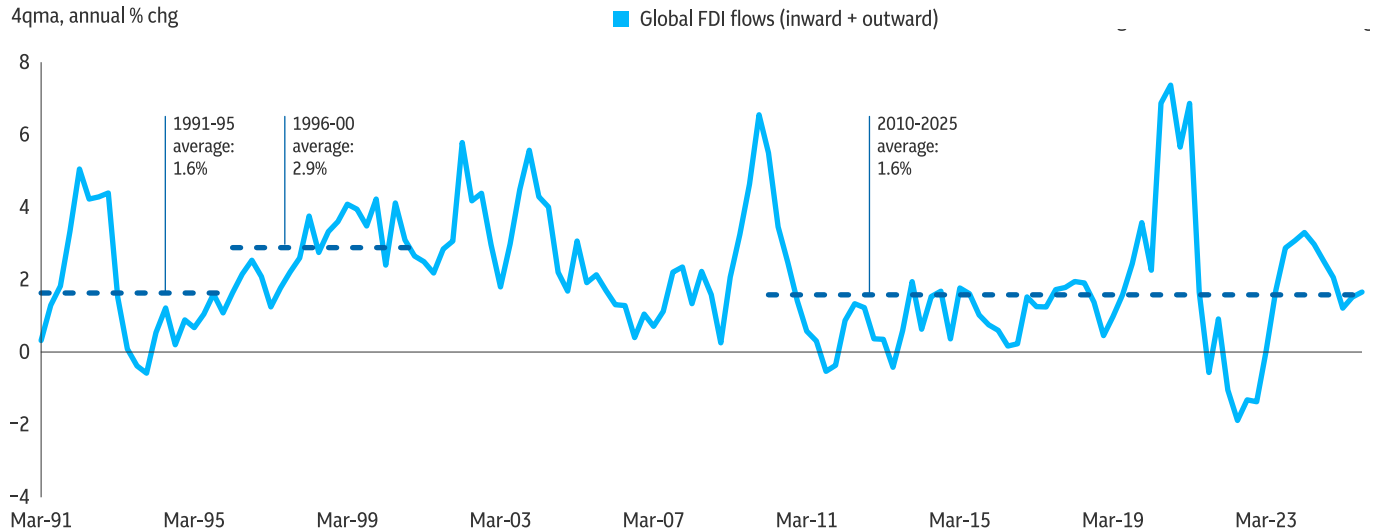
It is also worth noting that there are other signs that AI is already having an impact on the economic data and corporate behaviour. The slowdown in hiring in the US in recent months is exactly what you would expect to see if companies genuinely believe AI can lift the productive capacity of their workers. In recent months the rate of hiring in the US has dropped to 3.2% of employment, below the post-2001 average of 3.7% and not far off the lowest point in the series of 2.8% reached in the depths of the 2008-2009 financial crisis. Companies may be pausing to see if growth in sales can soak up the extra productive potential of AI, or to see if they can reallocate the future unneeded workers to other areas of the business.

Finally, the productivity uplift from AI could be significant. One recent, detailed study⁸ that uses, among other things, microdata on AI performance gains to try to predict the productivity potential, estimates that for those countries with high AI exposure (such as the US and the UK) the productivity growth uplift could be 0.4-1.4 percentage points (ppts) and for those with low AI exposure (Japan and Italy are examples) it is likely to be 0.2-0.8 ppts. Taking the midpoint of these ranges suggests that productivity growth could increase globally by around three-quarters of a percentage point, which is significant. Indeed, it could be even more than this. The internet and information technology (IT) developments of the late 1990s saw US productivity lift around 1.3 ppts (versus a midpoint estimate for the US of 0.9 ppts in the above AI study), yet AI is surely a more powerful technology.

8. See “Macroeconomic productivity gains from Artificial Intelligence in G7 economies”, OECD Artificial Intelligence Papers No. 41, June 2025.

Figure 9

AI could give productivity a bigger uplift than the late 1990s technology revolution



Source: Macrobond (November 2025).

Key takeaways and conclusions

- AI is already contributing to US growth through increased capital spending. Spending on technology related to AI has probably accounted for 15% of US growth since late 2023.
- The history of technological innovations suggests there is the risk of a period of disappointment surrounding AI's impact and a slowdown in investment spending.
- However, any such period is, in our view, likely to be fairly short-lived given the speed with which technologies are diffused in today's environment and AI's impressive rate of task progression.
- When the productivity gains do arrive, they could be significant enough to bring back the 'Goldilocks' economy of the late 1990s.
- For 2026, in our estimation the odds of a mild AI hype deflation are about the same as the odds that productivity gains start to come through and add to AI's investment spending contribution to GDP growth. On a net basis, this means that AI should continue to be a tailwind for economic growth next year.

Fiscal policy and bond markets: Long-term challenges

After large countercyclical easings of fiscal policy during both the 2008-2009 financial crisis and COVID-19 pandemic, fiscal dynamics in the G7 are finely balanced. There is, of course, nothing wrong with running aggressive countercyclical fiscal policy; the shortcoming has been the inadequate rebuild of fiscal buffers during good economic times. On a market-exchange-rate basis, the G7 budget deficit is now 5% of GDP (Figure 10) and government debt is in excess of 120% of GDP (Figure 11). This year and last are essentially the weakest fiscal positions for the G7 outside of recession in the last 35 years.

Figure 10
G7 budget balance

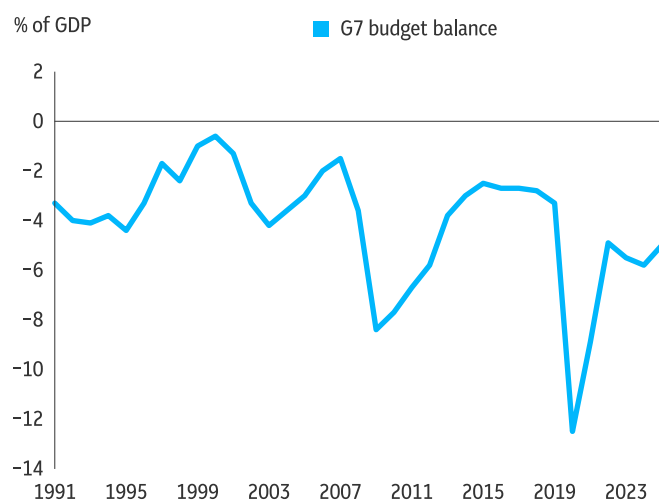
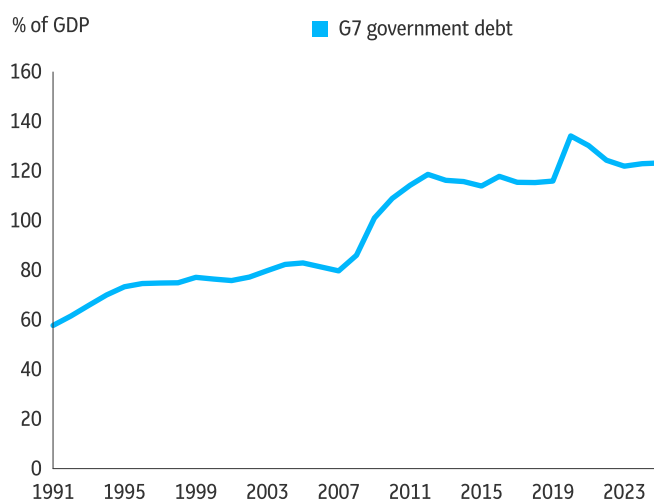


Figure 11
G7 government debt



Sources: IMF, Macrobond (November 2025).

Moreover, as we look ahead, a number of trends appear likely to put additional pressure on fiscal positions.

- Ageing, particularly in Western Europe but across the G7 generally, is likely to increase entitlement spending significantly over the coming years and decades. Entitlements are a sizeable share of total government spending, so this dynamic moves the fiscal needle. Indeed, estimates suggest it could drive an increase in spending of around 4% of GDP in the advanced countries of Europe and significantly more in Central and Southeastern Europe.⁹
- Interest costs are already rising and are likely to continue to do so in the years ahead as governments roll over maturing bonds at higher interest rates. In the US, interest costs are expected to rise sharply in nominal terms over the next 10 years and from around 3% of GDP today to approximately 4% by 2035.¹⁰
- Defence costs are on the rise across the G7. The peace dividend from the end of the Cold War is over, and greater geopolitical tensions globally will require more defence and intelligence spending. If defence spending is to return to levels that prevailed in the 1980s it will need to rise by around 1% of GDP; if it is to return to 1960s-type levels it will need to rise by 2.2%.

Taking all these trends together, government spending may need to increase by 6-7% of GDP over the next two decades. Given the starting point shown in Figure 10, this is mathematically challenging. Given the current political climate of frustration with the quality of public services¹¹ and a consensus that Social Security payments should not be curtailed,¹² this is also politically challenging.

9. See [“Long-Term Spending Pressures in Europe”](#), IMF Department Papers (March 2025).

10. See [“Any Way You Look at It, Interest Costs on the National Debt Will Soon Be at an All-Time High”](#), Peter G Peterson Foundation (January 2025).

11. See a recent IPSOS survey for the UK, [“Understanding society: Putting the place into public services”](#), which shows that 75% of UK adults aged 16+ believe public services have gotten worse over the last five years (with 40% believing services have gotten much worse) and net satisfaction scores deeply negative across a broad range of public services.

12. See Pew Research Center, [“The political values of Harris and Trump supporters”](#), which shows that 80% of all voters believe Social Security payments should not be reduced in any way.

There has been some excellent long-run historical work¹³ done in recent times on buildups of government debt and their consequences. Some of the key conclusions worth noting are as follows.

- Consolidations via austerity (running large primary surpluses) were quite common during the gold standard era prior to World War I (most likely because the gold standard did not allow governments to inflate away their debt) but have become much rarer post-WWII.
- In the immediate post-WWII period, inflation combined with financial repression played an important role in reducing some governments' debt.
- Since the late 1970s, reductions in the debt-to-GDP ratio usually have required running a sustained primary surplus, and that is usually achieved via improved cyclical conditions.
- The current challenging fiscal position of many advanced economies is colliding head-on with a political discourse on fiscal matters that increasingly favours higher government spending. This is a trend that applies across the political spectrum.

Key takeaways and conclusions

- Given high debt levels and large government deficits across the G7, fiscal policy could be periodically constrained in terms of its ability to provide stimulus. Governments' scope to consistently provide timely countercyclical support may be less going forward than it has been in recent decades.
- The quality of government services, many of which are essential services, could erode further over time, leading to political dissatisfaction and volatility.
- Bond markets could occasionally take fright, selling off as worries about the willingness of governments to ultimately service their debts increases. If the past two to three years is a guide, this could create market volatility, but unless a selloff is significant and sustained (which we view as unlikely given there will be a political response) the knock-on effects to economic activity may not be large.
- Longer-term challenges are acute, with ageing, interest costs, and defence spending exerting significant upward pressure on government spending over time.
- Over the medium to longer term, the fiscal situation could imbue public policy with an inflationary bias.

13. For example, see *"Public debt through the ages"* by Barry Eichengreen, Asmaa El-Ganainy, Rui Pedro Esteves and Kris James Mitchener; *"The liquidation of government debt"* by Carmen Reinhart and Belen Sbrana; and *"Drivers of public debt reductions: Lessons from past episodes in OECD countries"*, OECD Department Working Paper No 1841, by Álvaro Pina, Mauricio Hitschfeld and Takashi Miyahara.

Infrastructure

Constructive outlook driven by earnings growth

As the global economy continues to navigate the disruptive impacts of US trade policy, AI, and finely balanced fiscal positions in many of the world's largest economies, private infrastructure has demonstrated resilience, delivering a robust 10.5% year-over-year return as of 2Q25, higher than the historical average of 9.5%.¹⁴ With fundraising and deal activity rebounding firmly, 2025 has proven to be a strong year for the asset class and we expect this momentum to continue into 2026.

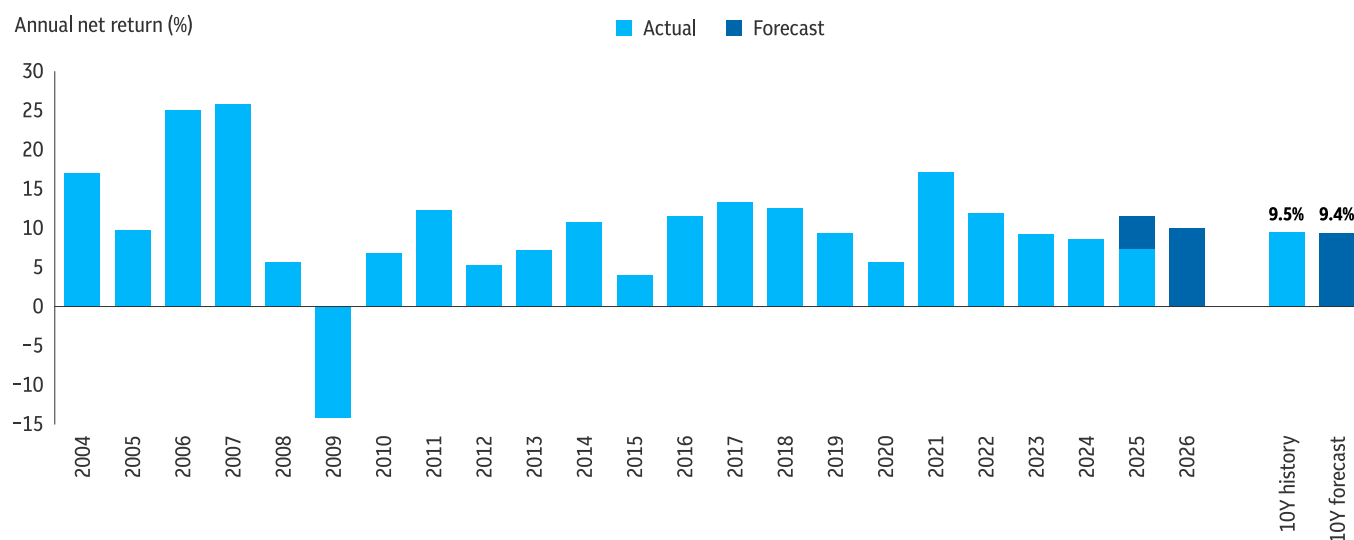
The latest valuation multiples remain below historical peaks and show an attractive entry point to the asset class, particularly relative to listed equities. With earnings growth supported by structural forces such as digitalisation and electrification, the outlook for private infrastructure returns over the next 12 months remains constructive. Our modelling¹⁵ indicates an annual net return of around 10% for the asset class in 2026 and a projected annualised long-term return of 9.4% over the next decade (Figure 12).



The latest valuation multiples remain below historical peaks and show an attractive entry point to the asset class.”

Figure 12

Private infrastructure annual historical net returns and outlook for returns



Sources: Cambridge Associates (June 2025), Macquarie Asset Management (October 2025). Past performance is not indicative of future results.

Infrastructure valuations: Attractive relative to their own history and in relative terms

Figure 13 shows the 12-month moving average of entry EV/EBITDA (enterprise value to earnings before interest, taxes, depreciation, and amortisation) transaction multiples for private infrastructure deals. After peaking in 2022 at an average of 16x EV/EBITDA, multiples found a floor in August 2024. Since then, they fluctuated but remained around 14x, only slightly above the historical average of 13.5x.¹⁶ In other words, the current level of multiples signals an attractive entry point to the asset class relative to its own history.

14. Based on Cambridge Associates Private Infrastructure Index (2Q25). The long-term average is calculated over the period between 4Q03 and 2Q25.

15. See our Pathways paper, “Private infrastructure performance: Uncovering the source of returns” (September 2025).

16. Based on MAM proprietary database of 1,222 EV/EBITDA transaction multiples between January 2008 and June 2025.

In relative terms, the latest data show that private infrastructure multiples are at a level below US listed equities and on par with global equities (Figure 14). These spreads, which have historically been observed only twice previously – during the 2008–2009 financial crisis and COVID-19 pandemic – suggest that private infrastructure represents good value compared to listed equities.

Figure 13

Private infrastructure EV/EBITDA transaction multiples

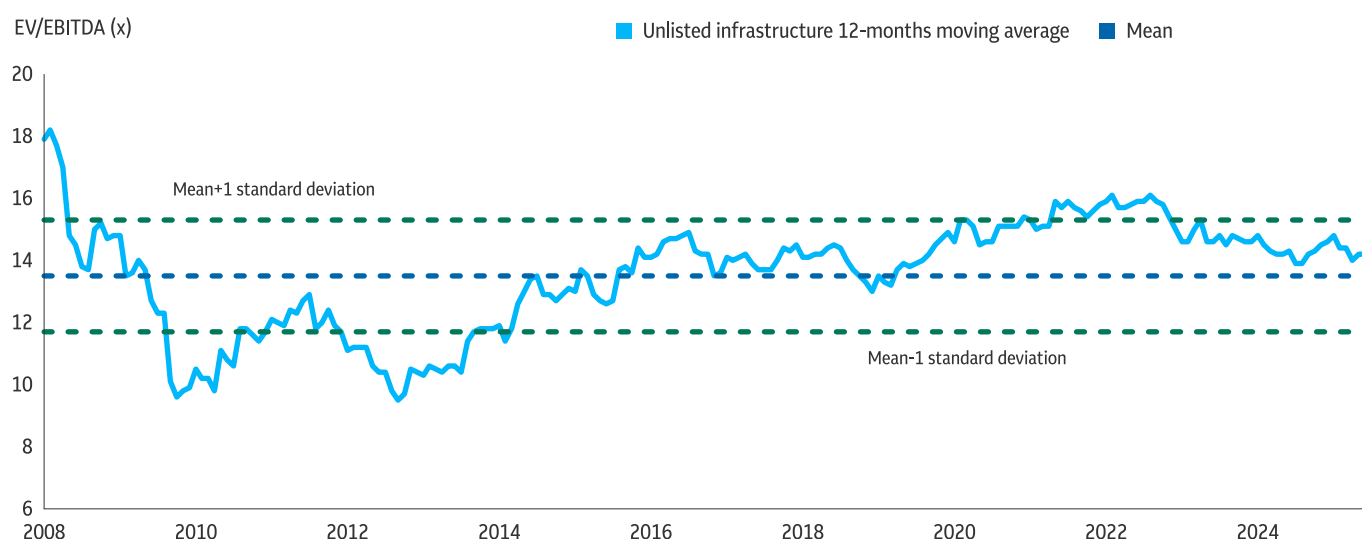
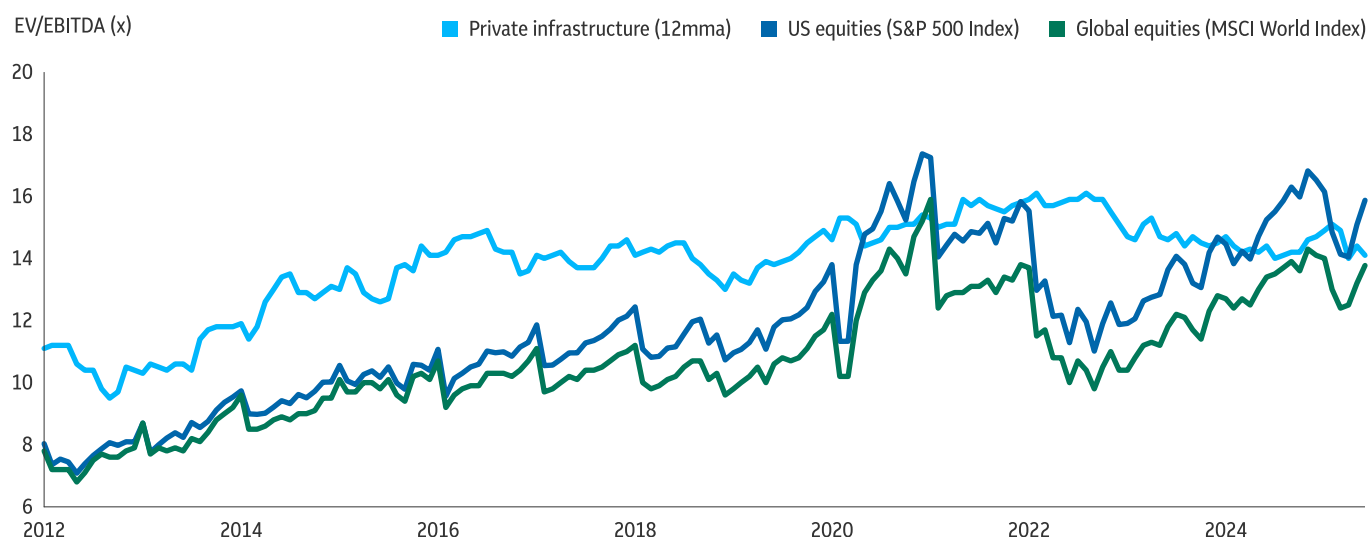


Figure 14

Private infrastructure valuation multiples relative to listed equities



Sources: Macquarie Asset Management, Bloomberg (October 2025). Private infrastructure time series is based on 1,222 transaction multiples from January 2008 to June 2025. Past performance is not indicative of future results. For illustrative purposes only.

Long-run return outlook: Earnings growth holds the key to return delivery

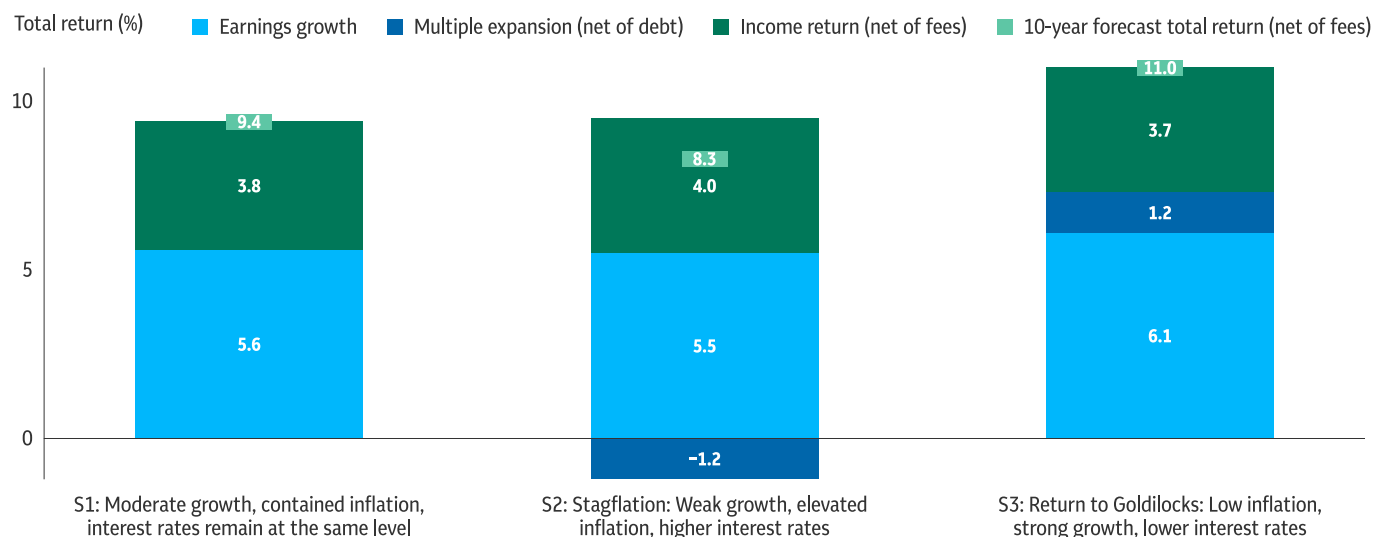
In our recent Pathways paper, “Private infrastructure performance: Uncovering the source of returns”, we provided a detailed breakdown of historical returns and the outlook for returns over the next 10 years. Our modelling of long-term private infrastructure returns across three distinct macroeconomic scenarios – “Moderate growth”, “Stagflation”, and “Return to Goldilocks” – suggests that net returns could be in the range of 8.3% to 11.0% over the next decade, with 9.4% the median expectation (Figure 15). While multiple expansion may play a supportive role over the short term, we don’t see it as a primary driver of returns in the long run. Instead, we expect earnings growth, supported by exposure to powerful structural drivers such as electrification and digitalisation, alongside operational improvements, to play the paramount role in return delivery over the coming decade.



Net returns could be in the range of 8.3% to 11.0% over the next decade.”

Figure 15

10-year outlook for private infrastructure net returns



Source: Macquarie Asset Management (June 2025). Past performance is not indicative of future returns. Does not constitute investment advice or recommendation. For illustrative purposes only.

Sector views: Opportunity set defined by structural trends

In digital infrastructure, we continue to see strong activity over the coming years, fuelled by the rapid growth of cloud computing and AI workloads. In the data centre sector, existing platforms are benefitting from strengthening pricing power, as demand continues to outstrip supply, with vacancy rates falling to a record-low 1.6% in the US.¹⁷ As established Tier 1 markets become power-constrained, we see opportunities to shift to new markets with faster power access. While data centres are at the forefront of the AI-driven expansion, the need for enhanced fibre connectivity and greater bandwidth between data centres is also accelerating demand for fibre network buildouts. For example, to enable the estimated increase in the number of data centres, the US will need to double its fibre infrastructure by 2029.¹⁸

With digitalisation and electrification accelerating, global power demand is forecast to increase by 3.7% in 2026, up from an estimated 3.3% in 2025.¹⁹ This will, in turn, will drive demand for more solar and wind generation, as they

17. CBRE, North America Data Centre Trends H1 2025.

18. Fiber Broadband Association, “The Underappreciated Need to Enable AI and Data Center Growth: Increased and More Strategic Fiber Interconnections” (June 2025).

19. International Energy Agency (IEA), “Demand: Global electricity use to grow strongly in 2025 and 2026” (July 2025).

now deliver power at a lower levelized cost of electricity (LCOE) than many fossil fuels: the LCOE of fixed-axis solar photovoltaic (PV) and onshore wind are now \$US35 and \$US37, respectively, roughly half the cost of CCGT (\$US84) and coal (\$US72).²⁰ As more intermittent power sources are added to the grid, and thermal generation assets are retired, demand for battery storage is also likely to accelerate.

The utilities sector might be entering a capex super-cycle, as increased power demand and generation necessitate an increase in transmission and distribution capacity, with regulated utilities playing a fundamental role in delivering power to end users. In the US, for example, utility investment in transmission and distribution infrastructure is increasing rapidly, with combined capex up 14% from last year.²¹ In Europe, regulated networks are ramping up grid investments, with an expected regulated asset base (RAB) growth of 8-10% in 2026.²² As RAB is the primary driver of earnings growth, we have a positive outlook for the sector over the coming years. At the same time, EU and UK regulators are adopting a constructive approach to new investments through innovative infrastructure planning, accelerated permitting, and enhanced remuneration frameworks.²³

Within the transport sector, airport M&A activity has accelerated, reflecting the industry's recovery beyond pre-pandemic activity levels and increased visibility into future traffic growth. Global air passenger traffic is projected to rise by 5.8% in 2025,²⁴ with a CAGR of 3.3-4.3% over the next 20 years providing tailwinds for the sector. Beyond passenger growth, we favour airports with strong potential in commercial and retail segments, as these revenue streams can further enhance earnings growth. In ports, the risks are higher due to the exposure to trade volatility. Global trade volumes grew by 4.9% year over year in 1H25 due to the frontloading of imports in North America in anticipation of higher tariffs. With higher tariffs now in place, global trade volume growth is expected to slow to just 0.5% in 2026.²⁵ While global growth is still expected to be healthy, the risks for ports are higher due to the tariffs and ongoing trade policy uncertainty.



**The utilities sector
might be entering a
capex super-cycle.”**

20. BNEF, “2025 LCOE: Data Viewer Tool” (February 2025).

21. S&P Global, “Grid congestion remains key issue as data centre load growth stresses system” (October 2025).

22. Bloomberg forecast, based on an average annual rate of 8-10% between 2024 and 2027.

23. Fitch Ratings, “Energy Transition Drives Ratings of European Electricity Networks” (October 2025).

24. International Air Transport Association (IATA), Global Outlook for Air Transport (June 2025).

25. World Trade Organization (WTO), “World Trade Outlook and Statistics” (October 2025).

Real estate

Valuations and improving fundamentals to drive returns

Commercial property fundamentals are healthy, valuations have stabilised, and credit is becoming easier, which points to an ongoing recovery of global real estate. The environment is positive for investors with medium- to long-term horizons, where income growth is set to boost returns. Real estate equity is now looking attractive again on a risk-adjusted basis against other asset classes following a reset in valuations with interest rates normalising. Development activity remains constrained due to high construction costs, which is set to create supply shortages over the next decade, though there are signs that cost inflation is normalising.

Behind these averages lie different trends across markets and sectors, and demand drivers continue to evolve in line with global structural shifts driven by digitalisation, demographics, and deglobalisation. The strongest opportunities lie in asset types supported by underlying demand-supply imbalances over the next decade, such as living, logistics, and data centres. Developers building into this supply-constrained environment are well positioned for strong returns.



Real estate equity is now looking attractive again on a risk-adjusted basis.”

Attractive valuations following a pricing reset

Real estate valuations ex-Japan have reset from 2023 peaks, presenting cyclical opportunities for investors to build their property exposure with downside protection. Real estate yields have expanded sharply across most sectors and markets, creating better entry points for new capital (Figures 16 and 17). Further monetary easing, which feeds into lower ‘all-in’ debt costs, alongside improving credit conditions, is set to boost the attractiveness of real estate.

Figure 16

Real estate valuations are gradually lifting in sectors with solid demand-supply fundamentals – US multifamily

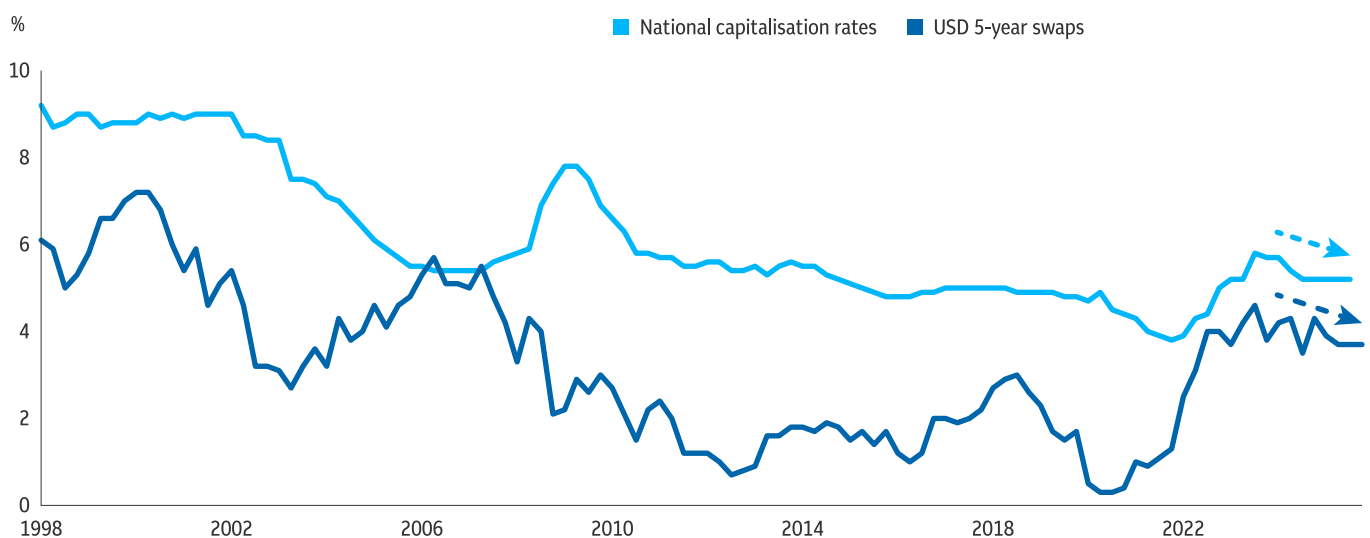
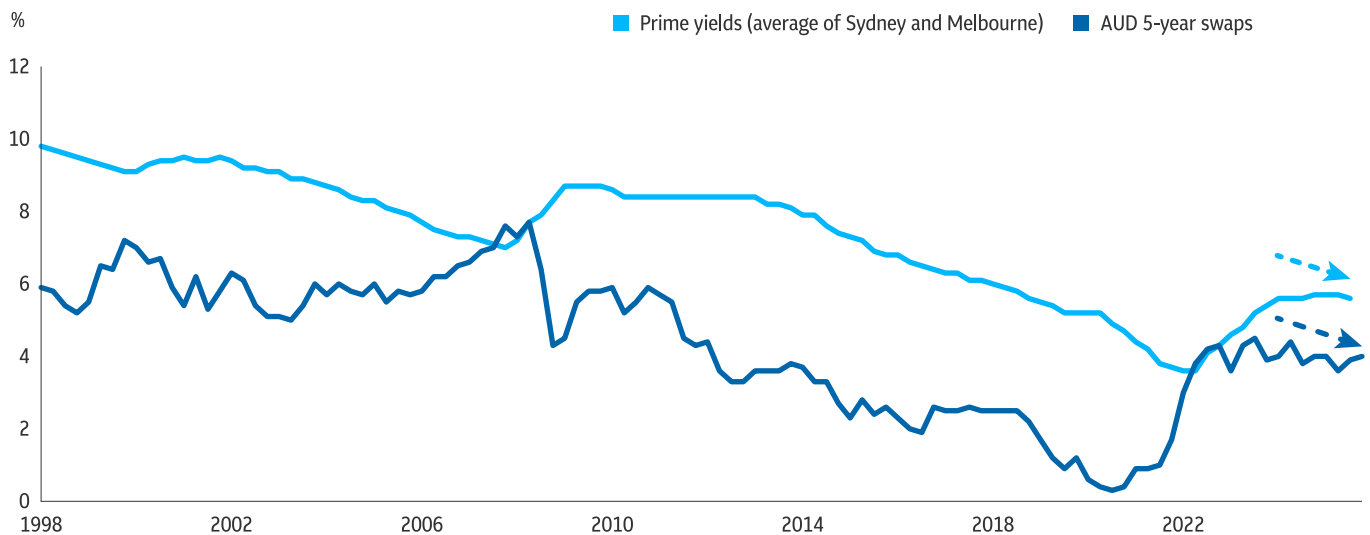


Figure 17

Real estate valuations are gradually lifting in sectors with solid demand-supply fundamentals – Australian logistics



Sources: Bloomberg, Macrobond, Green Street, JLL (November 2025).

Subdued development activity to fuel rent increases

Higher construction costs and capitalisation rates and increased financing expenses are suppressing construction levels and reducing new project activity across property sectors, excluding data centres and selective subsectors such as build-to-rent and land lease communities. Subdued activity is creating supply shortages as demand stabilises, which is set to support higher rents and occupancy rates over the coming decade. Development margins will improve again as the cycle progresses and property prices and rents outstrip costs.

Living's strong demand-supply imbalances

Residential real estate continues to demonstrate robust investment fundamentals, driven by persistent demand-supply imbalances across many developed markets. The sector's strong linkages to inflation and its ability to generate resilient cash flows throughout economic cycles underpin its appeal to long-term investors. Affordability challenges in home ownership – exacerbated by high prices and mortgage rates – are directly fuelling demand for rental housing. This trend is most common among young people, key workers, and lower- to middle-income households who are often unable to afford homeownership. Solid population growth, particularly in gateway cities across Europe and Asia-Pacific, is projected to sustain upward pressure on rents and asset prices over the next decade. These cities often face subdued new supply levels due to restrictive planning regimes, high construction costs, and limited land availability.

Population growth and ageing demographics

Demographics play a pivotal role in shaping demand for more affordable housing options across different markets and age groups (Figures 18 and 19). For key workers and retirees, segments such as manufactured homes, seniors housing, and land lease communities offer viable, cost-effective alternatives. Strong population growth and market barriers, including complex planning or high entry costs, drive demand in these sectors. These factors restrict the pace of new supply, helping to underpin rental growth and income stability for investors.

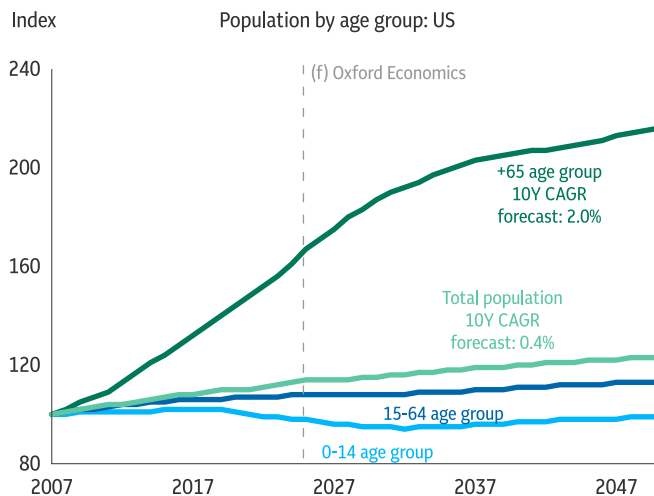


Residential real estate continues to demonstrate robust investment fundamentals, driven by persistent demand-supply imbalances across many developed markets.”

Additionally, the evolving preferences of younger generations – who increasingly prioritise flexibility and urban living – are contributing to the growth of build-to-rent and co-living models. These alternatives offer attractive amenities and community-focused environments, catering to shifting lifestyle needs. The living sector’s combination of structural demand drivers, supply constraints, and demographic tailwinds positions it as a resilient and attractive investment opportunity in the face of broader economic uncertainty.

Figure 18

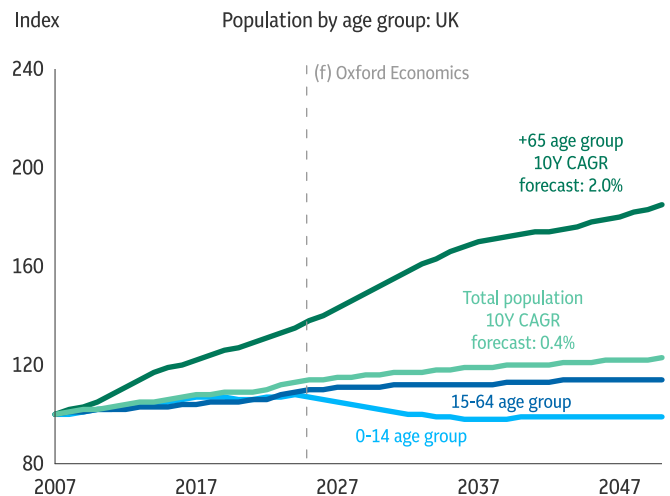
Demographics support demand for affordable housing such as land lease communities – US



Source: Oxford Economics (November 2025).

Figure 19

Demographics support demand for affordable housing such as land lease communities – UK



Shifting logistics and warehousing dynamics and drivers

The industrial property sector is undergoing a sizeable transformation, driven by evolving logistics and warehousing dynamics. Persistent shortages of high-quality, modern facilities – coupled with ongoing demands for supply chain efficiency and shifting global trade patterns – are set to fuel robust logistics demand over the next decade. This outlook persists despite some near-term headwinds, including softer demand and elevated supply in selective submarkets.

Over the past year, the sector has witnessed a more balanced leasing environment. This shift is attributable to maturing ecommerce penetration, heightened trade uncertainty, and affordability challenges stemming from rising rents and broader cost pressures for occupiers. While these factors have tempered immediate growth, they have also contributed to a healthier, more sustainable market equilibrium.

Despite recent challenges, investor interest in logistics properties remains strong. The sector accounts for 25% of total sales across traditional property segments, up from a historical average of 15%.²⁶ Buoyant debt markets continue to support investment activity, a trend likely to persist as pressure mounts on other core sectors. Higher cap rates, lower capex compared with traditional sectors, and steady rental growth reinforce the sector’s attractive investment thesis.

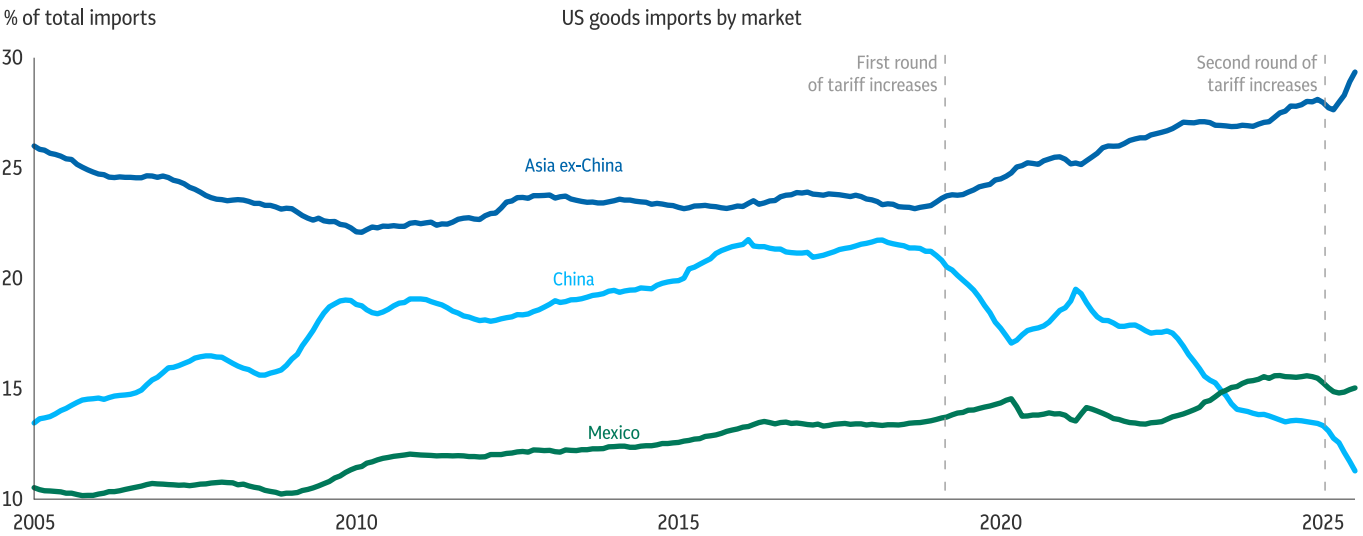
Looking ahead, both demand and rental growth are poised to accelerate as supply chains continue to adapt to geopolitical shifts and the reordering of global trade. Rising real incomes will support increased consumer spending, including online sales, while occupiers compete for a limited supply of new logistics facilities over the medium term. The prospect of falling mortgage rates and improved home turnover, which would boost spending on durable goods and drive demand for warehousing and storage space, boosts the sector’s appeal.

26. MSCI / RCA as at November 2025.

Southeast Asia, Mexico, and southern US markets stand out as key beneficiaries of supply chain evolution, particularly as rising labour costs and tariffs impact manufacturing margins elsewhere. Over the longer term, the Asia-Pacific region will require an estimated one billion square metres of new industrial space to accommodate incremental trade and manufacturing growth, fuelling investment opportunities.

Figure 20

Shifting trade patterns are impacting logistics and warehousing demand



Source: US Census (November 2025).

Liquid credit

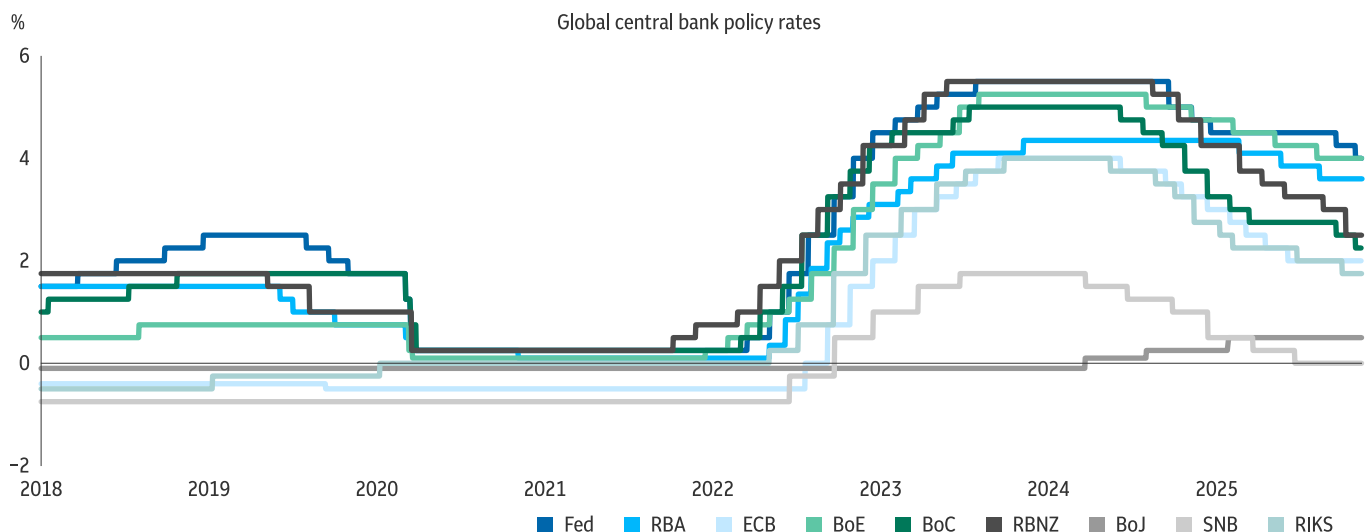
Diverging outlooks

Developed world easing cycle: Closer to ending, with policy now less restrictive

Bond markets have seen a greater divergence over the past year after a period in which most major government bond markets had been driven by broadly similar themes – initially a concern that rates would stay higher for longer in the post-pandemic period, before being boosted by the downturn in inflation that allowed most major central banks to lower policy rates substantially. While the prospect of further easing by the Fed has continued to provide a positive backdrop for US Treasuries, European bond markets have struggled due to fiscal pressures and spending plans that are expected to boost medium-term growth prospects, while in Japan bond markets have struggled as a higher inflation dynamic is seen as increasingly well entrenched.

Figure 21

The easing cycle across the developed world has slowed down



Sources: US Federal Reserve (Fed), Reserve Bank of Australia (RBA), European Central Bank (ECB), Bank of England (BoE), Bank of Canada (BoC), Reserve Bank of New Zealand (RBNZ), Bank of Japan (BoJ), National Bank of Switzerland (Schweizerische Nationalbank) (SNB), Central Bank of Sweden (Riksbanken) (RIKS).

The number of central banks slowing the pace of their rate-cut cycles (or indeed signalling these cycles may now be complete) has grown recently as policy rates have approached neutral. Rate-cut expectations for many have resultingly been wound back, although the Fed is still expected to cut several more times. The risk that at least some of these central banks could end up having to ease more than is currently anticipated, and the limited prospect that (apart from the Bank of Japan) they are likely to raise policy rates any time soon, should provide support to most bond markets from here.

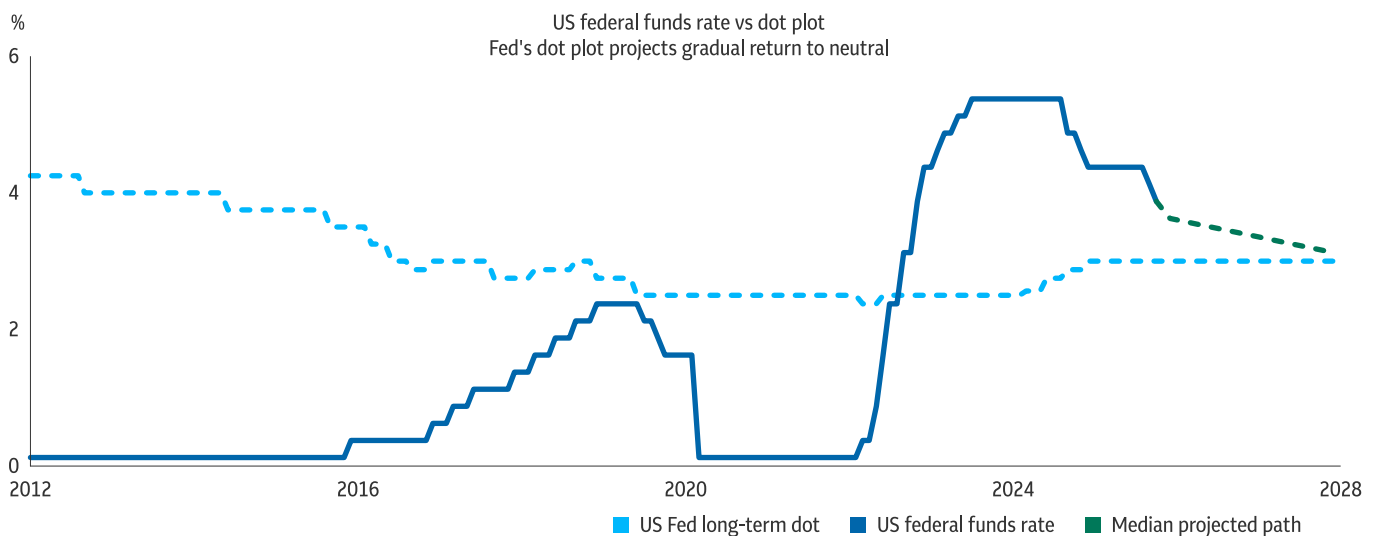
Credit spreads in the US and Europe remain at historically tight levels; however, the relatively benign macroeconomic outlook and all-in yields that remain somewhat high relative to recent history, continue to drive demand. We also remain wary that geopolitical events could impact bond yield pricing as risk premiums are reassessed.

Public debt market investment implications

- **Duration.** Clear signals from many central bank officials that their earlier rate-cut cycles may be near (or potentially at) an end has seen market pricing of further rate cuts for these banks wound back substantially. This suggests room for bond markets to rally modestly should growth falter or inflation prove more benign than expected, although the lower starting point for policy rates may limit the extent of any rally. In terms of the outlook, we therefore have a bias towards lower yields, looking to add duration on any material backup. This is especially so in the US, where the potential for the tariffs to eventually weigh more substantially on growth could add pressure to an already cooling labour market and see markets price a more rapid rate-cut cycle. This would especially benefit the front end of bond curves, so we also expect further curve steepening – especially given the prospect that on the long end investors price some risk of ‘digestion’ issues in the face of substantial supply due to the ongoing size of government deficits.
- **Credit.** While spreads remain tight by historical standards, we continue to expect credit to trade in a relatively narrow range from here. The earlier monetary easing and a renewed fiscal boost should support a relatively benign macroeconomic outlook. Moreover, while spreads are tight, all-in yields remain high relative to recent history, and expectations of positive total returns should drive demand.

Figure 22

The Fed is projecting only a very gradual return to neutral



Sources: Macrobond, US Federal Reserve (November 2025)

Private credit

Activity picking up and structural growth drivers provide long-term support

In light of recent events, disciplined underwriting and portfolio resilience within private credit are proving increasingly critical. Against a backdrop of heightened volatility after a long period of a benign credit environment, we think there is the potential for some borrowers to face challenges. That said, we expect secular shifts in market dynamics and structural features of private credit to continue driving long-term demand for the flexible solutions the asset class provides to borrowers and the diversification opportunities it offers investors.

We expect fundraising sources to continue to diversify as insurance and wealth investors channel capital into private credit in increasing volumes. By 2028, private credit AUM is projected to reach \$US2.8 trillion,²⁷ with direct lending still dominant, though allocations to asset-backed finance (ABF) strategies are expected to rise as investors seek differentiated exposure. In our view, well-structured deals that incorporate appropriate protections, and lending to borrowers with robust underlying earnings, are key differentiators in an increasingly crowded private credit marketplace.

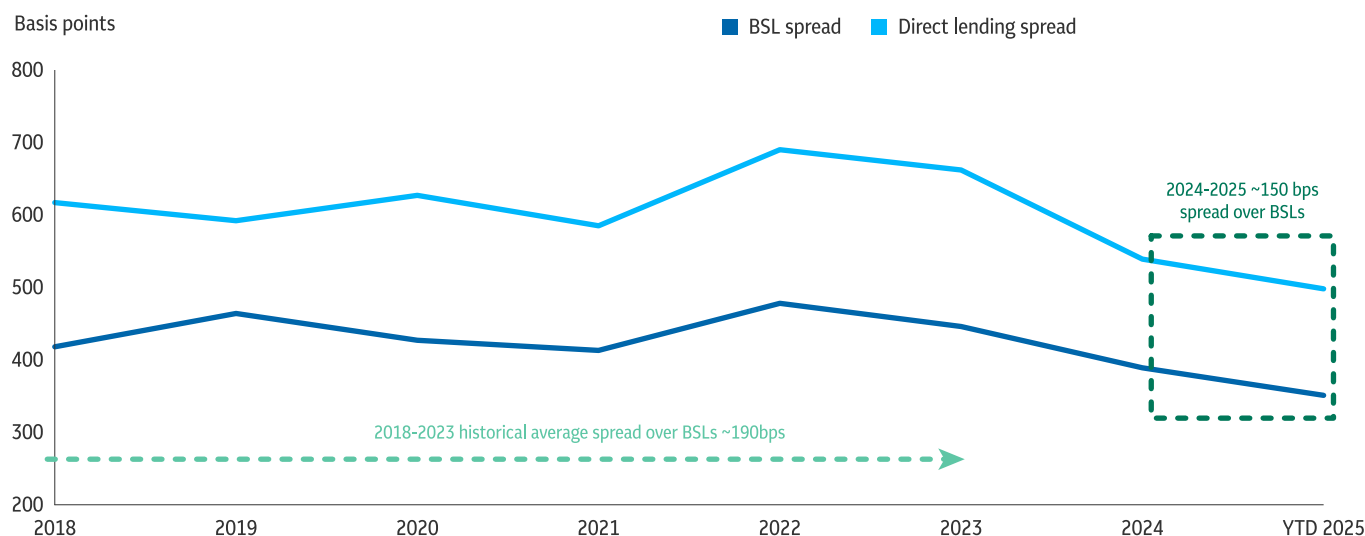
Direct lending: M&A uptick to drive deal volumes higher

The outlook for direct lending in 2026 is strong in the US and Europe. In both markets, we expect an uptick in deal volumes driven by increasing private equity M&A activity as interest rates continue to moderate in the US and UK, while remaining low in Europe. In the US, year-to-date 2025 volumes are down from the same period last year, due largely to market volatility and the uncertainty introduced by US tariff policy, while in Europe direct lending deal activity appears on track to beat 2024 issuance.²⁸

Spreads in both the US and Europe continued to tighten throughout 2025. Looking ahead, we see a flattening of these spread levels, with the potential for some expansion if market conditions worsen. Despite the spread compression, we continued to see good premiums in private markets compared with the broadly syndicated loan (BSL) market (Figure 23).

Figure 23

Direct lending continues to offer an attractive spread over the BSL market



Source: Pitchbook LCD, data through 30 September 2025.

27. Preqin

28. Pitchbook LCD

Default rates in direct lending have remained low, with trailing 12-month (TTM) default rates, as at October 2025, standing at 1.5% in the US and 1.3% in Europe.²⁹ Looking forward to 2026, we see the potential for some modest increase in default rates as borrowers are faced with continued volatility and uncertainty, but we expect them to remain moderate overall.

Asset-backed finance: Compelling fundamentals

Investor appetite is diversifying within private credit. This is true for both institutional and wealth investors, who are now increasingly turning their attention to the broad universe of ABF.

We view ABF broadly as encompassing finance underpinned either by (1) real assets, including infrastructure, equipment, real estate, and transportation, or (2) specialty assets, including net asset value (NAV) lending, consumer finance, contractual cash flows, and other commercial lending. Estimates suggest this market is \$US5.5 trillion in the US.

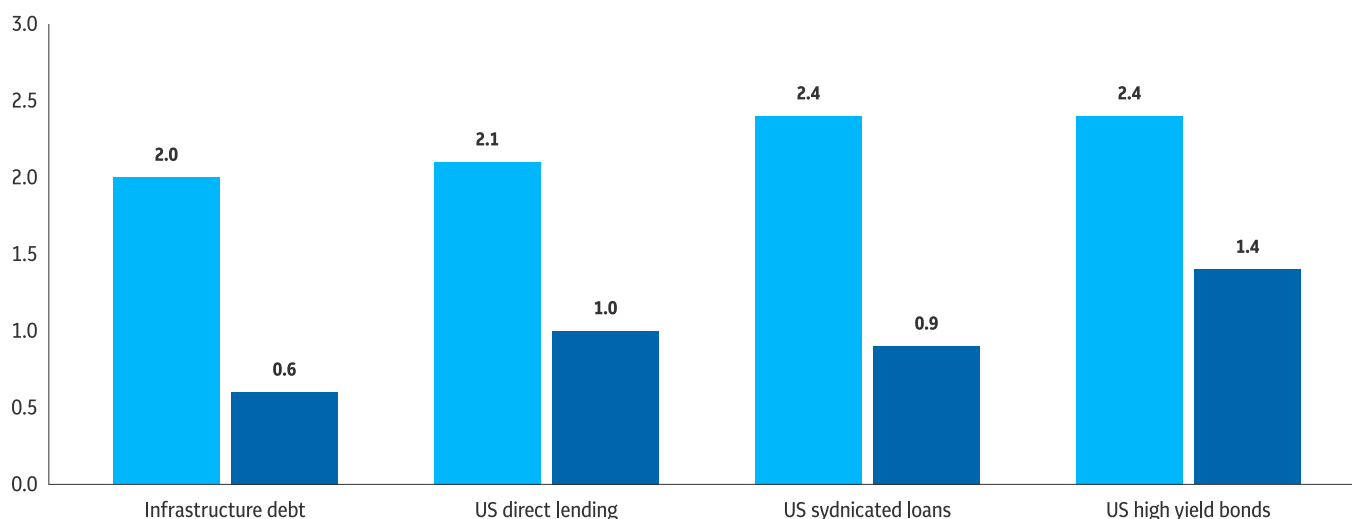
Within ABF, infrastructure debt stands out as a particularly resilient asset class that we think is set for growth given the trends described below. Investments are typically backed by essential, long-lived assets with stable cash flows and high barriers to entry. These defensive characteristics enable infrastructure debt to deliver stable returns across economic cycles and consistently lower default and loss rates compared with general corporate credit³⁰ (Figure 24).



Within ABF, infrastructure debt stands out as a particularly resilient asset class that we think is set for growth.”

Figure 24

Historical asset class default rates and expected loss



Sources: Cliffwater Report on US Direct Lending (4Q2023), JP Morgan Markets (2024), Moody's Infrastructure default and recovery rates (2023).

29. KBRA DLD Default Research. Includes payment defaults, bankruptcies, distressed debt exchanges and restructurings, and distressed exits.

30. Historical default and loss rates - Cliffwater Report on US Direct Lending (4Q2023), JP Morgan Markets (2024), Moody's Infrastructure default and recovery rates (2023).

Secular growth drivers are fuelling global demand for infrastructure investment. The secular trends of decarbonisation, digitalisation, deglobalisation, and demographics (the four Ds) are creating vast opportunities in sectors such as data infrastructure, renewable energy, and essential services. Five years ago, estimates from the Global Infrastructure Hub suggested that the total investment need for infrastructure and related sectors could reach \$US97 trillion by 2040. Based on forecasts of infrastructure investment, assuming that countries continue to invest in line with current trends and in response to changes in economic and demographic fundamentals, it is estimated the total funding gap left for private markets is more than \$US18 trillion, of which we expect private infrastructure debt to account for ~\$US11 trillion.³¹

To meet the need for investment, we are seeing improved accessibility into these types of strategies for investors. Greater demand from investors is improving liquidity, new investment vehicles are lowering barriers to entry for individual investors and retirement portfolios, and increasing transparency is contributing to the expansion of the investor base. We believe maintaining focus and unlocking expertise in carefully identified market segments will be a key differentiator in successfully delivering risk-adjusted returns. We expect this trend to continue and to drive further growth and opportunities for investors in the private credit market.

31. [Global Infrastructure Outlook](#). Infrastructure Debt investment opportunity estimated to be 60% of the capital stack required to plug the \$18trn funding gap between total investment needed (\$97trn) and public sector funding forecasts (\$79trn).

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Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower expects to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk by way of interest payments

from the borrower or issuer of a debt obligation. Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

Currency risk is the risk that fluctuations in exchange rates between the US dollar and foreign currencies and between various foreign currencies may cause the value of an investment to decline. The market for some (or all) currencies may from time to time have low trading volume and become illiquid, which may prevent an investment from effecting positions or from promptly liquidating unfavourable positions in such markets, thus subjecting the investment to substantial losses.

Fixed income securities are subject to credit risk, which is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation.

Fixed income securities are also subject to interest rate risk, which is the risk that the prices of fixed income securities will increase as interest rates fall and decrease as interest rates rise. Interest rate changes are influenced by a number of factors, such as government policy, monetary policy, inflation expectations, and the supply and demand of securities. Fixed income securities with longer maturities or duration generally are more sensitive to interest rate changes.

Fixed income securities may also be subject to prepayment risk, which is the risk that the principal of a bond that is held by a portfolio will be prepaid prior to maturity at the time when interest rates are lower than what the bond was paying. A portfolio may then have to reinvest that money at a lower interest rate.

Infrastructure companies are subject risks including increased costs associated with capital construction programs and environmental regulations, surplus capacity, increased competition, availability of fuel at reasonable prices, energy conservation policies, difficulty in raising capital, and increased susceptibility to terrorist acts or political actions.

Investment strategies that hold securities issued by companies principally engaged in the infrastructure industry have greater exposure to the potential adverse economic, regulatory, political, and other changes affecting such entities.

International investments entail risks including fluctuation in currency values, differences in accounting principles, or economic or political instability. Investing in emerging markets can be riskier than investing in established foreign markets due to increased volatility, lower trading volume, and higher risk of market closures. In many emerging markets, there is substantially

less publicly available information and the available information may be incomplete or misleading. Legal claims are generally more difficult to pursue.

Market risk is the risk that all or a majority of the securities in a certain market – like the stock market or bond market – will decline in value because of factors such as adverse political or economic conditions, future expectations, investor confidence, or heavy institutional selling.

Liquidity risk is the possibility that securities cannot be readily sold within seven days at approximately the price at which a fund has valued them.

A capitalisation rate (cap rate) is a percentage that estimates the potential return on investment for a property. It's a common metric used in real estate to compare the value of different properties.

The compound annual growth rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) is an alternate measure of profitability to net income. By including depreciation and amortisation as well as taxes and debt payment costs, EBITDA attempts to represent the cash profit generated by the company's operations.

The enterprise multiple, also known as the EV multiple, (EV/EBITDA) is a ratio used to determine the value of a company. The enterprise multiple, which is enterprise value divided by EBITDA, looks at a company the way a potential acquirer would by considering the company's debt. What's considered a "good" or "bad" enterprise multiple will depend on the industry.

Equity risk premium is the excess return that investing in the stock market provides over a risk-free rate. This excess return compensates investors for taking on the relatively higher risk of equity investing. The size of the premium varies and depends on the level of risk in a particular portfolio.

Internal rate of return (IRR) is a metric used in financial analysis to estimate the profitability of potential investments. IRR is a discount rate that makes the net present value (NPV) of all cash flows equal to zero in a discounted cash flow analysis.

A regulated asset base (RAB) is a model that's used to finance large-scale infrastructure projects, and to provide investors with a guaranteed return on their investment. It's often used in the UK, and is also used for water, gas, and electricity networks.

The **Bloomberg Global Aggregate Index** provides a broad-based measure of the global investment grade fixed-rate debt markets.

The **Cambridge Associates LLC Infrastructure Index** is a horizon calculation based on data compiled from 93 infrastructure funds, including fully liquidated partnerships, formed between 1993 and 2015. Private indexes are pooled horizon internal rate of return (IRR) calculations, net of fees, expenses, and carried interest.

The **MSCI World Index** represents large- and mid-cap stocks across 23 developed market countries worldwide. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **S&P 500 Index** measures the performance of 500 mostly large-cap stocks weighted by market value and is often used to represent performance of the US stock market.

Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Economic trend information is sourced from Bloomberg unless otherwise noted.

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