Macquarie Global Listed Infrastructure Team[1]

Certainties in life: Death, taxes...and tariffs?

There is an age-old saying that the only certainties in life are death and taxes. Since ‘Liberation Day’, it appears President Trump has added *tariffs* to that list of certainties.

Ironically, Trump’s ‘certain’ tariffs have been anything but, creating global uncertainty and noise across all markets and risk assets. Such uncertainty hits home in the transport space – given the importance of global supply chains to the US economy. So, it is perhaps no surprise that the names exposed to logistics may bear the brunt of this uncertainty.

For Macquarie Global Listed Infrastructure, uncertainty translates into opportunity. While the situation remains ever-changing, we see opportunities across listed infrastructure in names exposed to changing trade patterns. Notably, the recent fall in the share prices of North American rail companies has begun to create some attractive risk-reward opportunities in the space, allowing the team to initiate a new position after years of not holding any.

Tariffs for dummies

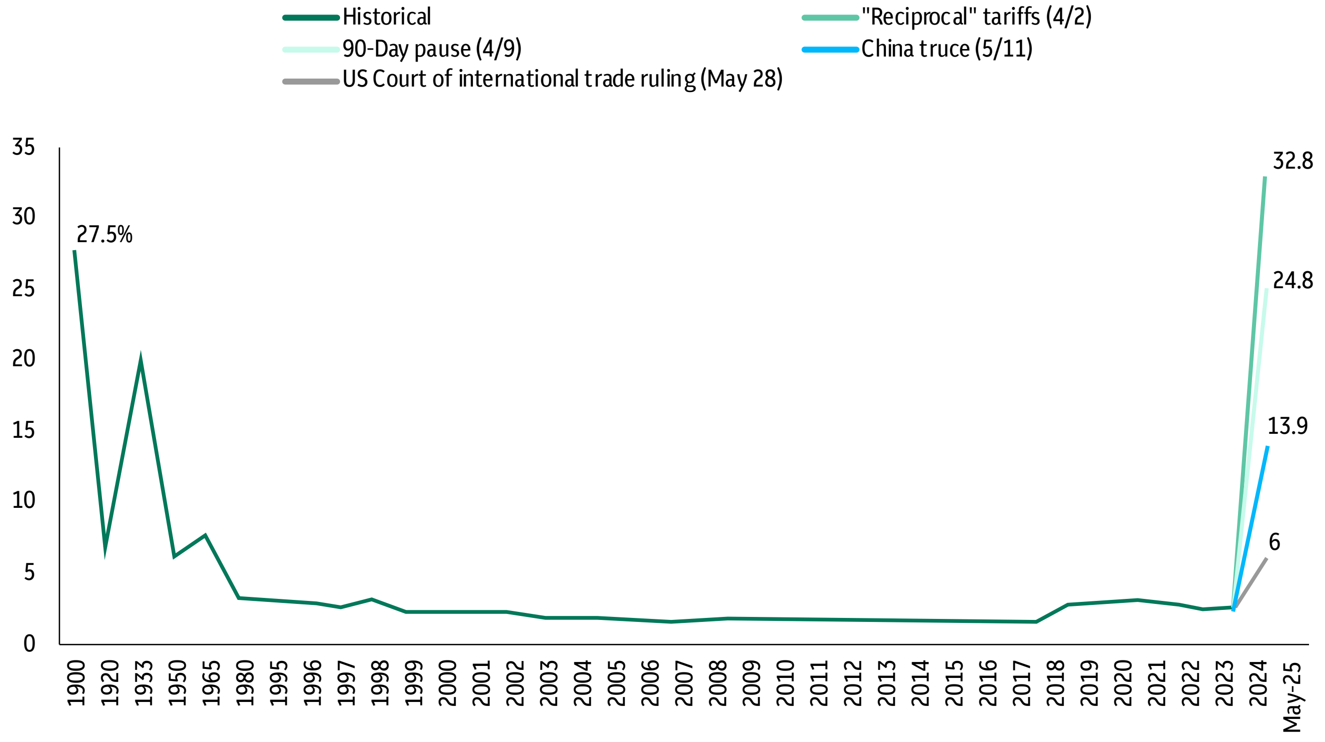
Schoolyard economics teaches us that tariffs are bad for the macro economy; however, the exact impact is hard to quantify.

Trump’s tariffs range anywhere from the highest in six decades to the highest of all time (as at 30 June 2025). According to schoolyard economics, this should have some pretty negative impacts on the US economy.

The key premise is that tariffs lead to an increase in costs. So, then the question is, will companies raise their prices to offset this cost (which potentially hurts demand) or let the higher cost impact their margins?

[1] Macquarie Global Listed Infrastructure is an equity team within Macquarie Asset Management’s (MAM) Equity & Multi-Asset business.

Weight average tariff % rate on US imports, select years



Sources: The World Bank, Wells Fargo, Yale Budget Lab, Statista.

Let's take a look at what company management thinks...

Company earnings transcripts show that C-suite executives are now hyper-focused on tariff mitigation strategies. C-suites across nearly every sector have mentioned pricing power and diversification of supply chains as the best antidote for Trump's tariffs. Interestingly, these two options lead to converse paths – pricing power would suggest existing supply chains remain relevant, while the diversify option upends existing infrastructure.

Mitigation Strategies Recently Mentioned on Corporate Earnings Calls

Less time needed for Implementation → ***More time needed for Implementation***

	Pricing power	Redirect products	Stockpile inventory	Diversify supply chains
Autos	●			●
Biopharma/biomanufacturing				●
Energy	●	●		
3PLs/logistics		●		
IT Hardware	●	●	●	●
Leisure products	●			●
Machinery	●		●	●
Metals & mining	●	●	●	
Multi-industry	●		●	●
REITs				●
Restaurants & food distributors	●			●
Retail hardlines	●			●
Softline retail & brands				●

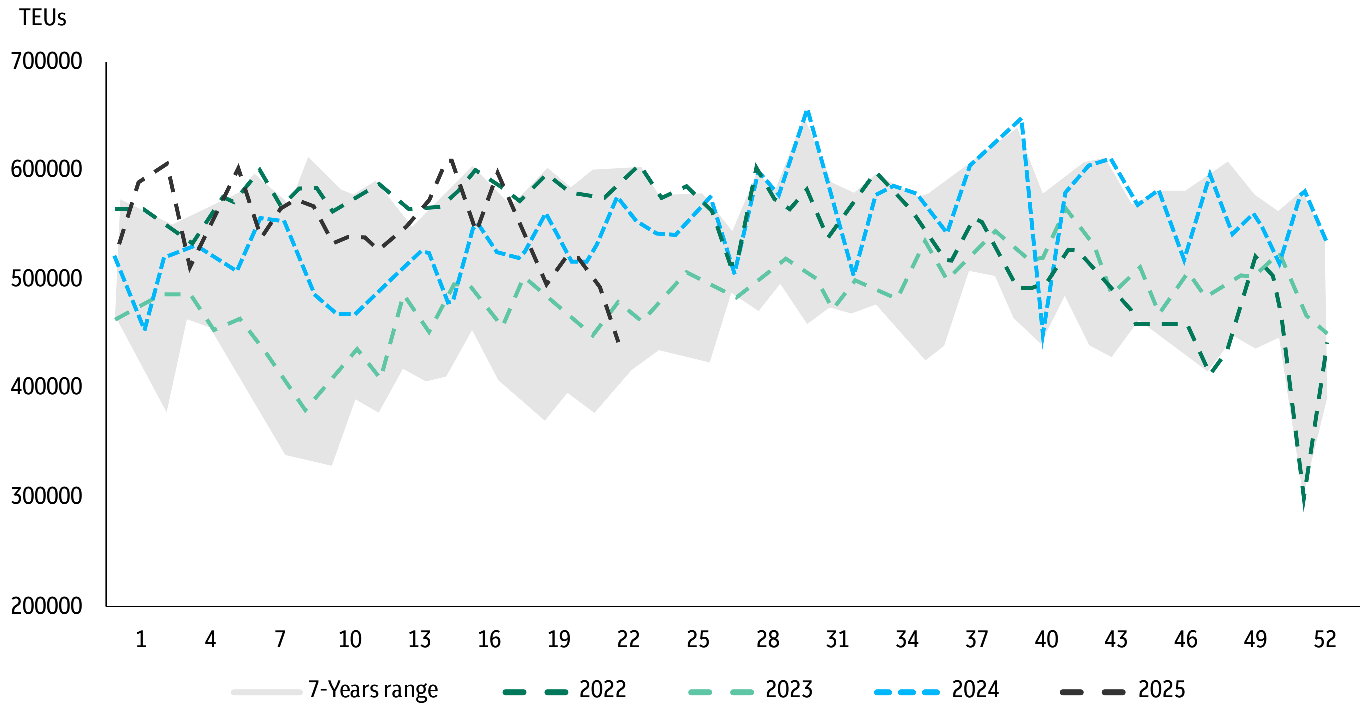
Source: Newmark Research, Morgan Stanley Research, various transcripts, April 2025.

What's in the box?

When trying to assess the risks around tariffs, one of the key considerations is the product transported. The household goods that we know and love, most of which are produced overseas, are brought to you by container transport. Demand for these goods tends to be more sensitive to price increases due to tariffs. For bulk commodities, it might be harder to find substitutes, so volumes may not be as impacted as the consumer-facing goods.

One way to get around this is by front-loading volumes before the tariffs take effect, and the initial data suggest that March and April 2025 may have benefited from a pull forward of volumes as importers tried to get ahead of the tariffs.

Weekly US containerised imports dropped off in May and are now down year over year after a strong March and April:

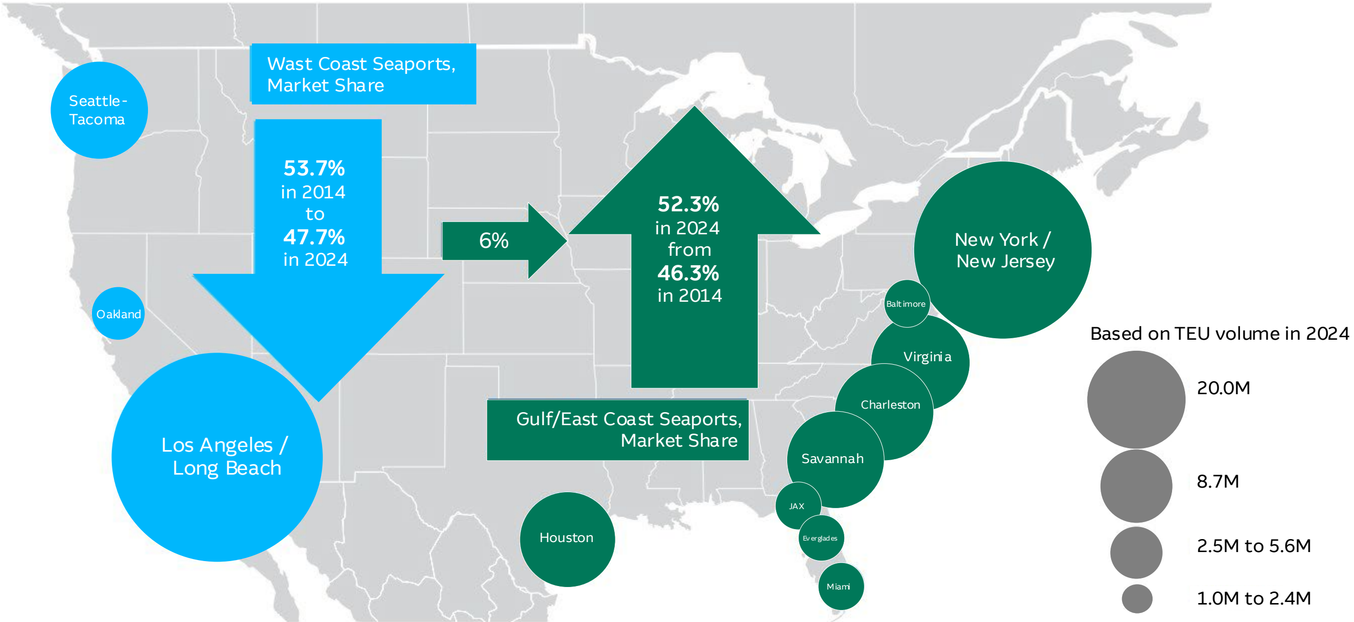


Sources: Descartes, JP Morgan. Data through week 22 ending June 1.

As always...location, location, location

The evolution of trade patterns is also another consideration. For the past decade, West Coast ports in the US have lost share to East Coast ports. Additionally, trade flows from Mexico continue to grow.

Import market share has been shifting eastward



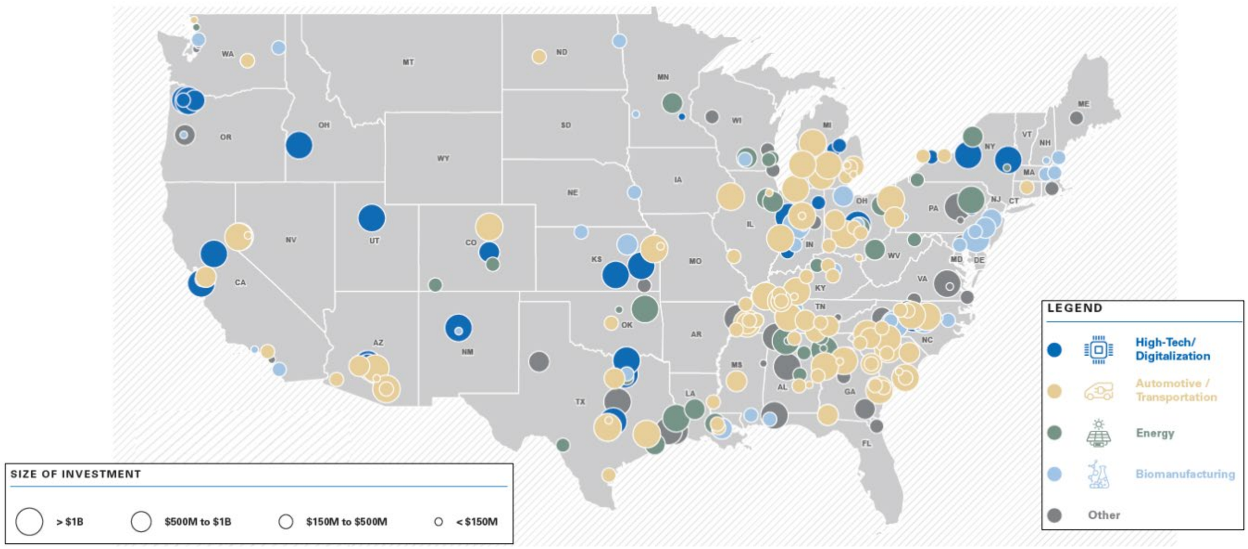
Sources: Newmark SoCal Research, port websites.

Therefore, the relative tariff picture becomes important as well. For example, the current tariff exemptions for goods that are compliant with the United States-Mexico-Canada Agreement (USMCA) rules may provide more support for North American-related trade volumes, especially at the expense of overseas imports.

As a result, knowing where tariffs will be implemented, and to what extent, will be a determining factor of the impacts on the economy. This is true from the standpoint of where goods may enter the country, but also could be impactful depending on whether manufacturing comes back to the US. Should manufacturing return, the logical place for it is the South and the Midwest, which is exactly where we have seen announcements to date.

Could tariffs make America build again?! President Trump certainly thinks so...

US Major manufacturing announcements, 2020-2024



Note: Investments of at least SI00 million. Investment dollars may include allocations to real estate and equipment, infrastructure, intellectual property, and other outlays.
Sources: Newmark Research, Newmark Global Strategy & Consulting, various press releases and articles

Will somebody please think of Christmas?!

Amid this ever-changing backdrop, it's obvious, at least in our view, that the market is less impacted by the tariffs themselves and more affected by the uncertainty they cause.

Despite the theoretical impacts of tariffs, the hard data are less clear. Weekly rail volumes seem to be holding up as at May 2025, though there is some sign of weakness, especially on West Coast exposed rails. However, forward data suggest that container ship booking from China to the US has increased in the last few weeks, on the back of the trade war "cease fire" between the US and China. This could provide help to support container imports as we head into mid-summer and rebuild inventories ahead of the peak season (i.e. before Christmas).

On the real estate side, tenants across North America, especially in the US and Mexico, have paused and delayed decision making. It is difficult to plan a business five years out and know your space needs when the rules of the game are unknown.

In conclusion...Who loves tariffs?

In November 2024, President Trump offered a quote that should have told us where the world was heading.

He said *tariff* is the most beautiful word; "It's more beautiful than love, more beautiful than anything".

The Global Listed Infrastructure Team is actively seeking opportunities arising from tariff dislocations. We see particular opportunities, such as in North American Rail, in which quality assets can capitalize on changing trade flow patterns.

Contact us

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Key risks

The potential for adverse events in the global infrastructure sector to impact the performance of the investments of the Strategy. Investments in securities issued by companies that are principally engaged in the infrastructure business will subject the Strategy to risks associated with direct investment in infrastructure assets. Factors such as the availability of finance, the cost of such finance in general as well as in comparison to prior periods, the level of supply of suitable infrastructure projects and government regulations relating to infrastructure may influence the value of these investments and hence the Strategy.

The risks of investing in the infrastructure sector include those listed here.

New project risk: Where an infrastructure issuer invests in new infrastructure projects, it is likely to retain some residual risk that the project will not be completed within budget, within the agreed time frame and to the agreed specification.

Strategic asset risk: Infrastructure assets may include strategic assets, that is, assets that have a national or regional profile, and may have monopolistic characteristics. The nature of these assets may generate additional risk given the national/regional profile and/or their irreplaceable nature and may constitute a higher risk target for terrorist acts or political actions.

Documentation risk: Infrastructure assets are often governed by a complex series of legal documents and contracts. As a result, the risk of a dispute over interpretation or enforceability of the documentation may be higher than for other issuers.

Operation risk: Should an infrastructure issuer fail to maintain and operate the assets efficiently, the ability to maintain payments of dividends or interest to shareholders may be impaired. Failure by the infrastructure issuer to carry adequate insurance or to operate the asset appropriately could lead to significant losses and damages.

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. The Strategy may invest in preferred stock and hybrid securities, which may have special risks. Preferred and hybrid securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. Some preferred and hybrid securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A portion of the Strategy's assets may include investments in non-cumulative preferred or hybrid securities, under which the issuer does not have an obligation to make up any arrears to its investors. Preferred and hybrid securities may be substantially less liquid than many other securities, such as common stocks or US government securities. Generally, preferred and hybrid security holders (such as the Strategy) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the security holders generally may select a number of directors to the issuer's board. Generally, once all the arrears have been paid, the security holders no longer have voting rights. In certain varying circumstances, an issuer of preferred or hybrid securities may redeem the securities prior to a specified date. For instance, for certain types of preferred or hybrid securities, a redemption may be triggered by a change in federal income tax or securities laws. A redemption by the issuer may negatively impact the return of the security held by the Strategy.

Important information

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