Macquarie Global Listed Infrastructure Team[1]

Trump 2.0: The first 100 days - Impact and opportunities in infrastructure

The US election in November of 2024, saw the beginning of a second term for the Republican party's nominee, Donald Trump. Despite victory for the Republican party and Trump, including the popular vote, and winning every swing state, the election results reflected a deeply divided America (Donald Trump received 49.8% of the popular vote while Kamala Harris received 48.3% of the popular vote; source: CNN).

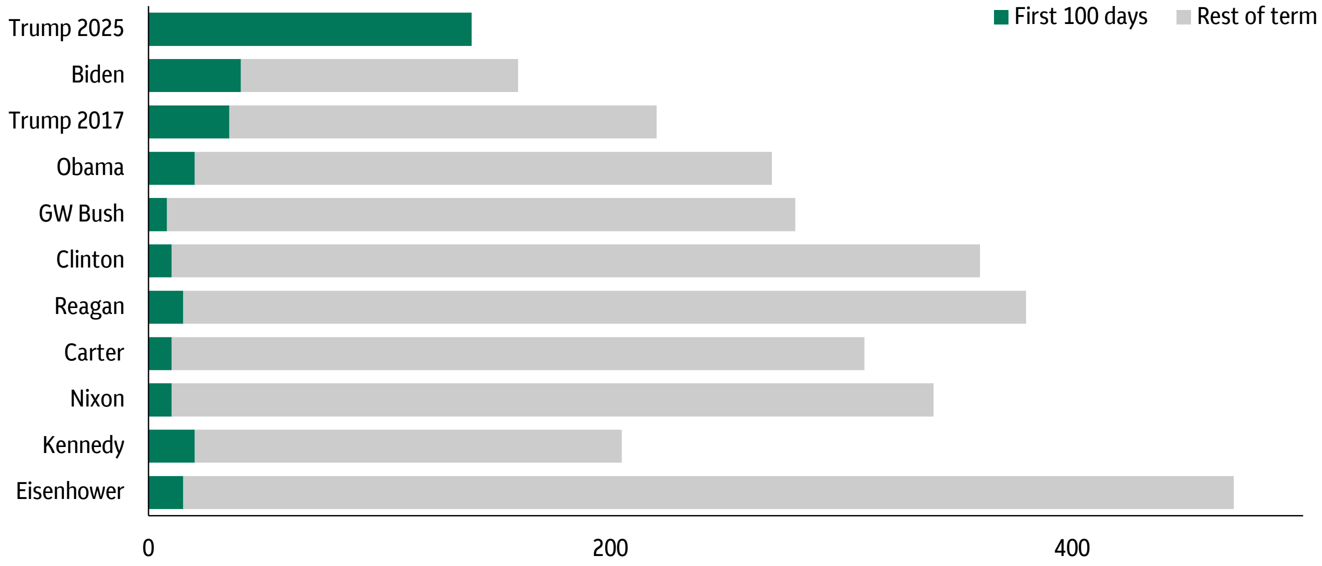
With 100 days post-inauguration (as of 29 April 2025) now behind us, below we highlight the key themes and some of the potential impacts on the global listed infrastructure sector.

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

The first 100 days was one of the most action packed in contemporary US presidential history

The first 100 days of Trump's term has been characterized by a significant amount of executive action (shown in the chart below, which compares the number of executive orders for post-war US presidents).

Trump the fastest post-war leader for executive order



Note: Only includes presidents who took office after the end of WWII and after a change in partnership
Source: The American Presidency Project.

Direction thus far

Although the specifics are often unclear, we believe we know the administration's general direction, and what has been done so far is not, in our view, a major surprise. President Trump campaigned on the ideas highlighted below and is methodically going down the list and acting on his promises.

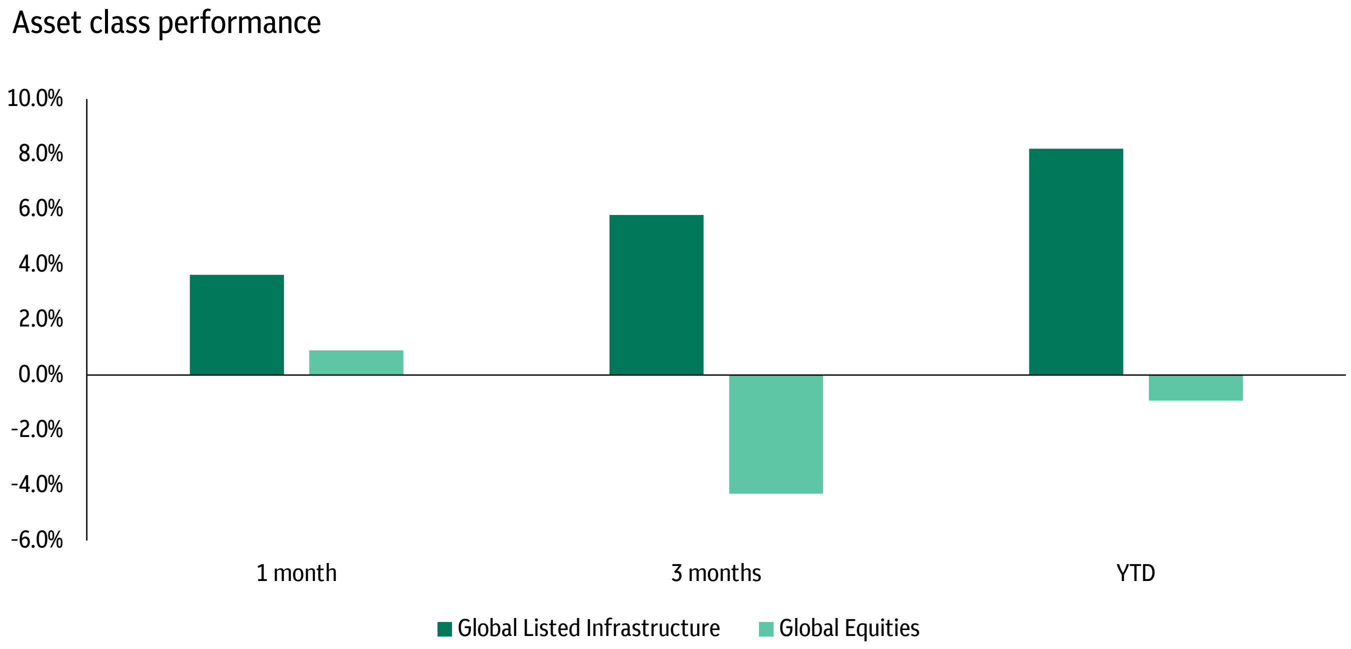
Take action on immigration

Impose tariffs

Shake up the federal government

What does this mean for listed infrastructure?

The volatility in markets, caused in a large part by the geopolitical environment discussed above, has resulted in the global listed infrastructure sector delivering strong absolute and relative performance versus global equities. We believe the performance is very much in line with what we would expect from the asset class, which should demonstrate defensive characteristics consistent with the nature of the underlying assets.



As at 30 April 2025 in USD. Sources: Macquarie views, Global Listed Infrastructure – S&P Global Infrastructure Total Return Index, Global Equities – MSCI World Net Total Return USD Index^. **Past performance is not a guide to future returns**.

Among other areas, we've been focused on the administration's actions surrounding tariffs and renewable energy.

Tariffs

Cost inflation is the major concern regarding tariffs. Because of utilities' very high capital intensity, these companies are highly exposed to rising costs. However, in most cases, shareholders are protected and oftentimes can benefit from rising costs.

To incentivise investment, regulation allows utility companies to passthrough the costs to operate the grid, while earning a return on the capital they invest. Therefore, as operating costs increase, they typically passed through to customers on a one-for-one basis. Furthermore, to incentivise capital investment in the grid, investors are given an attractive return on their investment, so higher equipment costs can benefit shareholders.

Liquefied Natural Gas (LNG)

An underappreciated infrastructure beneficiary of tariffs, in our view, is LNG infrastructure. To export natural gas, it is cooled until it has converted into a liquid at 1/600th its volume, put on a ship and sent across the ocean. Given Trump's seeming intent to improve the trade imbalance between the US and its trading partners, LNG exports could provide an easy fix. It is, in our view, a win-win as natural gas hungry areas of the world, such as Europe, Asia and India, can receive reliable gas inflows, and the US can export gas to help reduce its trade deficit.

LNG facilities are typically relatively low risk. Companies recover investments through long-term take-or-pay contracts signed with creditworthy counterparties. LNG infrastructure owners protect their investment by transferring execution risk to construction companies and most other uncertainties to customers through strong contract terms. While locked-in contract terms may limit upside (and downside) for existing facilities, government support and customer demand should drive the pipeline for new LNG terminals for years to come, benefiting those companies with offtake relationships, land assets and expertise.

Rail infrastructure

As major transporters of goods within the US and across the borders with Canada and Mexico, the North American rail companies face a large degree of uncertainty from the tariffs. They key questions are a) will tariffs lead to higher prices and b) will higher prices impact demand? For consumer goods (such as electronics or cars), there may be more sensitivity to price increases than for commodities (such as timber or crude oil). Intricate, global supply chains also make the impact of tariffs difficult to predict. In the recent Q1 2025 results, most of the railroad companies stuck with their fiscal year 2025 guidance but noted a significant amount of uncertainty in achieving those targets.

When trying to assess the risks around tariffs, some of our key considerations are the geographic location of the company's network, commodity exposure and relative tariff situation. For example, Union Pacific's network serves the US West Coast ports and cross-border check points between the US and Mexico, so the company is exposed to trade with China (both imports and exports) and Mexico. Meanwhile the Canadian companies, Canadian National Railway and Canadian Pacific Kansas City (CPKC), transport a lot of goods between the US and Canada (and in CPKC's case, also between the US and Mexico), which leaves them exposed to tariffs on Canadian and Mexican goods. However, much of what they transport from Canada is commodity related goods (timber, crude oil, potash, etc) for which it might be harder to find substitutes despite the additional cost from the tariffs. Additionally, tariff exemptions for goods that are compliant with the United States-Mexico-Canada Agreement (USMCA) rules, may provide more support for North American related volumes. While it is hard to determine the precise impact of tariffs, this framework helps us understand where the volume exposures lie.

Further muddying the picture is the long lead time before the tariffs take effect. Given that most tariffs have had at least a month's notice before going into effect, companies have been pulling forward volumes to build up inventory ahead of the actual implementation. This creates a positive near-term dynamic but also creates the risk of volumes dropping off after the tariffs come into effect, even if consumer demand isn't impacted as much as feared. Anecdotal evidence is mixed, but some data does show that inventories have been building in the first three months of the year. Transport volumes in the coming months should provide some more insight into the size of this pull forward.

Renewables

Renewable names have been impacted negatively due to legislative uncertainties in the US. They include uncertainty on the permitting of projects, on the sourcing and price of equipment (due to foreign entity concerns and potential trade tariffs), and on the availability of US tax subsidies arising from the 2022 Inflation Reduction Act (IRA).

It is important to note that utility-scale developers have begun taking steps in the past to protect project returns in anticipation of legislative/regulatory risk. These steps include, for example, shifting towards a US-based equipment supply chain and securing tax credits via the Internal Revenue Service's "safe harbor" clause. The recent changes in US policies have caused an acceleration of these activities. As a result, there is more near-term focus on the near-term business plan, and companies will reassess their longer-term plans as US policies settle.

Related to the burden of new trade tariffs, developers like Next Era and EDP Renováveis (EDPR) have disclosed minimal financial impact for near-term projects in their recent earnings calls. For projects further in the pipeline, the general expectation is that the potential burden would be shared among consumers, equipment suppliers and developers themselves as the demand for renewables remains high.

Looking ahead...

You can disagree or agree with President Trump's policies, but it is hard to deny his expertise in maintaining the attention of the general public and media outlets. Never have we seen a president occupy our phone, computer, and television screens to such an extent as President Trump has in his first 100 days. It's been intense and we expect it to continue over the next approximately 1391 days that he remains in office.

For investors, increased trade wars and the impact this may have on global economic activities has caused heightened uncertainty. Additionally, consumer confidence seems to be fraying, especially in regard to the labour market, and jobs growth does seem to be slowing, with some worries about when the trend might flip from slower hiring to rising downsizing. The listed infrastructure sector has performed well in the current environment, and we believe it will be well placed to continue to do so.

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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 which 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

Source for all performance data unless noted: Macquarie.

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^The **MSCI World Index (net)** is a free float-adjusted market capitalization weighted index designed to measure equity market performance across developed markets worldwide. Index "net" return approximates the minimum possible dividend reinvestment, after deduction of withholding tax at the highest possible rate. The S**&P Global Infrastructure Index** is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

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