



MACQUARIE ASSET MANAGEMENT

Infrastructure: Resilient income and long-term growth

If you only have a minute...

- Valuations have reset and are now back close to long-run average levels and below US listed equities, creating a more compelling entry point for investors considering an allocation to infrastructure.
- Earnings growth is expected to be strong, supported by healthy nominal GDP growth and powerful structural tailwinds from digitalisation, electrification and demographic change.
- In an uncertain macro environment, infrastructure can play a stabilising role in diversified portfolios, particularly when accessed through a selective, actively managed approach.

Introduction

Infrastructure enters 2026 with a compelling combination of resilient income, inflation protection and long-term growth, supported by essential service demand and structural tailwinds.

Despite ongoing macroeconomic uncertainty, trade and fiscal policy volatility and disruption from technological change, private infrastructure has continued to deliver strong and consistent risk-adjusted returns. In the year to 3Q25 (the latest data available), infrastructure returned 8.6% year-on-year, broadly in line with its long-term average of 9.5%.¹

Valuations have reset closer to long-run averages, while earnings growth remains closely linked to nominal GDP, creating a constructive backdrop for investors seeking diversification and portfolio resilience.

Three high-conviction views for the year ahead

1 Infrastructure continues to deliver resilient, low volatility returns

The view

Over the long-term,² private infrastructure has delivered returns comparable to listed equities, but with significantly lower volatility. Historical data shows infrastructure volatility has been approximately half that of listed equities, reflecting the defensive characteristics of the asset class.

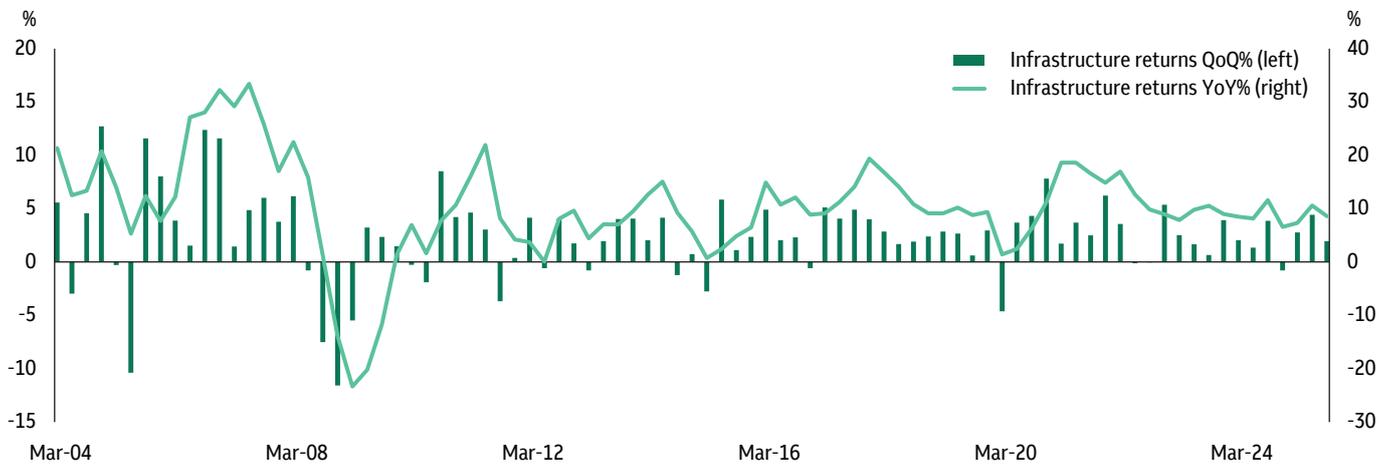
This resilience has been evident across multiple market cycles (see figure 1), supported by regulated or contracted revenues, the essential nature of the services infrastructure provides and high barriers to entry.

Forward-looking return expectations remain supportive. Based on current valuations and earnings assumptions, we expect infrastructure to deliver net returns (i.e. net of fees and carried interest) of around 10% over the next year, with long-term annualised returns of approximately 9-10% over the next decade.

What this means for investors

Infrastructure can help smooth portfolio outcomes by providing stable returns and lower drawdowns, while still offering equity-like long-term return potential.

Figure 1
Private infrastructure's return delivery has been strong and very consistent through time



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



Key chart takeaway

Infrastructure's long-run risk-adjust return delivery has been very strong and remarkably consistent

2 Infrastructure valuations have reset and appear attractive relative to history and other asset classes

The view

Following a period of elevated valuation multiples, private infrastructure valuations have normalised and now sit close to long-run average levels.³

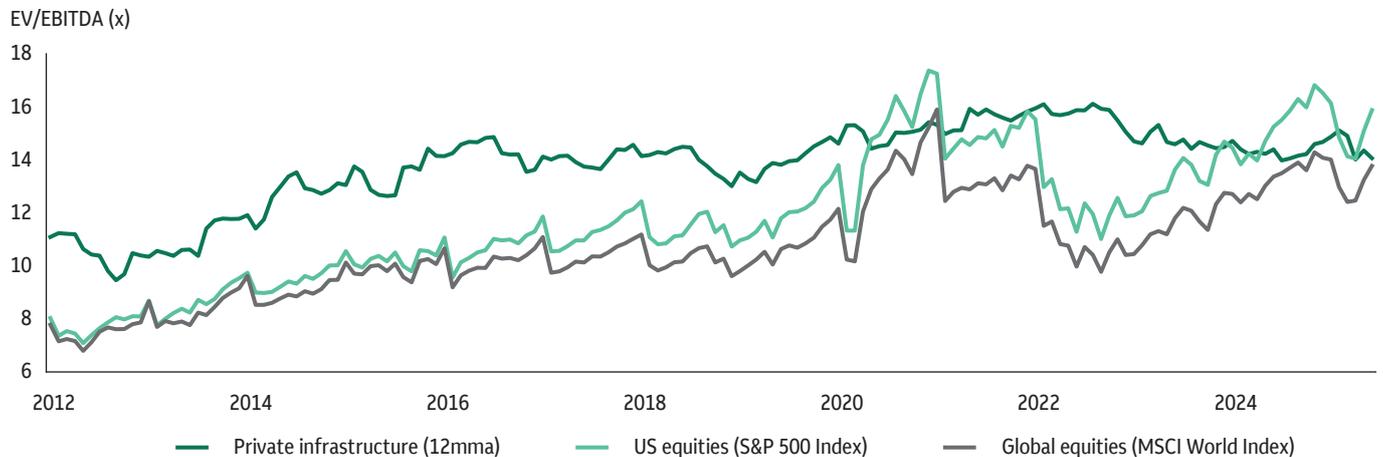
Importantly, infrastructure valuations now screen as attractive relative to listed equities (see figure 2), particularly in the US. Current relative valuation levels have only been observed a limited number of times historically – most notably during the 2008-09 financial crisis and the COVID-19 period – signalling a more compelling entry point into the asset class.

Looking ahead, valuation multiples could increase in 2026 as interest rates continue to ease and as the attractive long-term growth characteristics of infrastructure become increasingly recognised.

What this means for investors

More attractive valuations improve prospective returns and provide a margin of safety, particularly when combined with infrastructure’s stable cashflow profile. For investors with a long-term horizon, current valuation conditions appear supportive.

Figure 2
Private infrastructure is cheaper than US 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.



Key chart takeaway

Private infrastructure valuations are now attractive relative to their own history and relative to listed equities

3 Nominal GDP remains a key driver of infrastructure earnings growth

The view

Infrastructure earnings growth has historically been closely correlated with nominal GDP, reflecting exposure to both real economic activity and inflation-linked revenues.

With nominal GDP growth across the US, Euro area and UK expected to remain above long-run averages, infrastructure earnings are supported by a favourable macro backdrop. The structural tailwinds from electrification, digitalisation and demographics provide further support to medium-term earnings growth.

Historical analysis shows infrastructure earnings growth has been strongest during periods of above-average nominal GDP growth, reinforcing the asset class’s ability to generate resilient and growing cashflows across economic environments.

What this means for investors

Strong earnings growth – both near and medium-term – should enhance infrastructure’s returns, providing investors with both income stability and healthy growth.

Figure 3: GDP growth drives infrastructure earnings growth

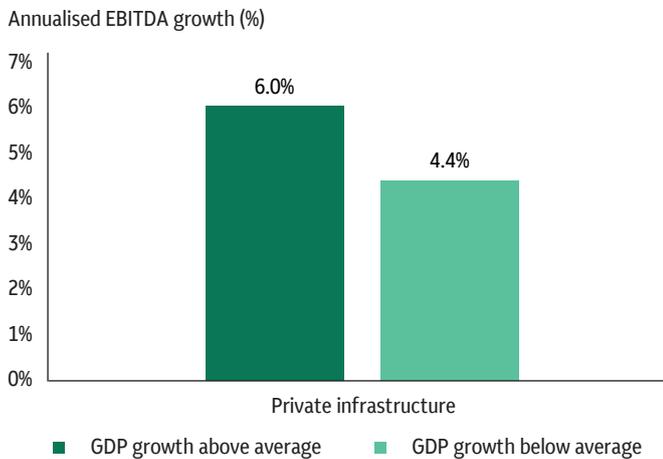
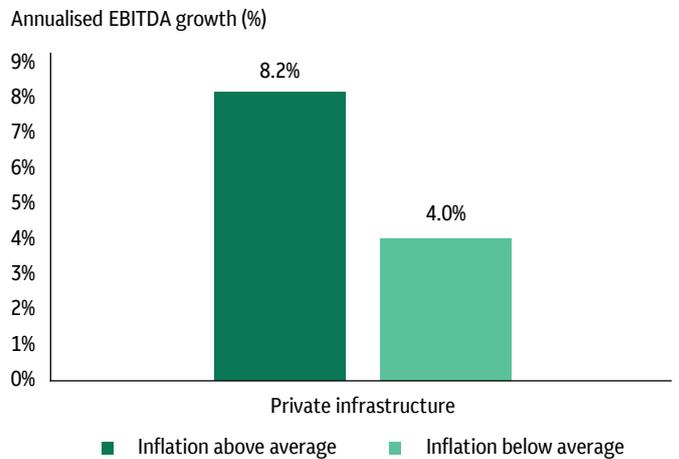


Figure 4: Inflation also drives infrastructure earnings growth



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



Key chart takeaway

Infrastructure’s earnings growth is driven by nominal GDP growth

Portfolio positioning: the role of infrastructure

Infrastructure can play a strategic role within diversified portfolios, offering exposure to assets with predictable cashflows and diversification characteristics, as well as structural growth trends.

Its defensive characteristics and historically lower correlation with traditional asset classes can help reduce overall portfolio volatility, while its income profile has supported long-term return outcomes across market cycles.

At the same time, dispersion across infrastructure subsectors and regions is increasing, creating a more differentiated opportunity set. This reinforces the importance of a selective approach focused on assets with strong fundamentals, appropriate valuation levels and exposure to long-term demand drivers.

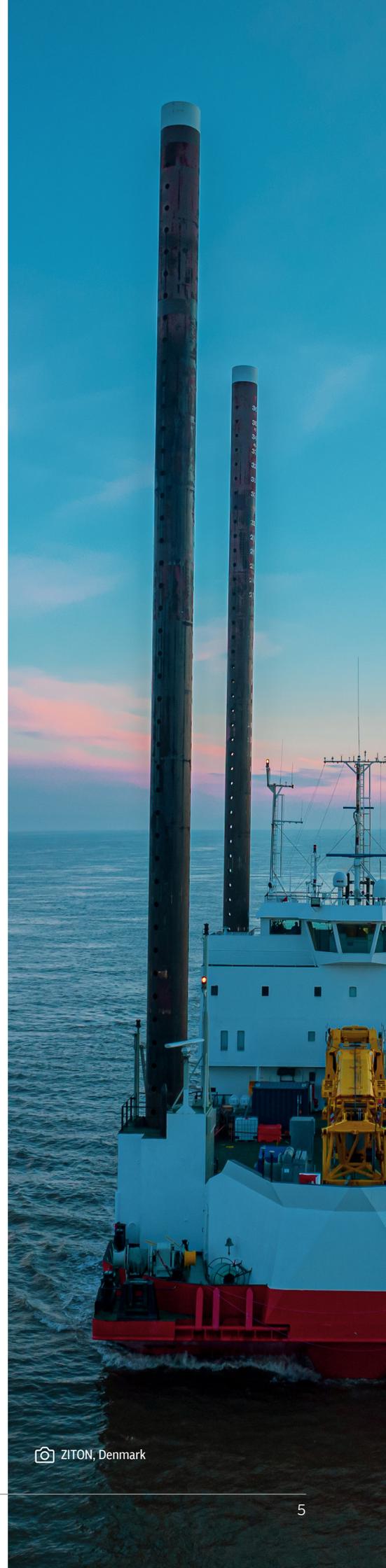
Key opportunities

- Digital infrastructure: Data centres and fibre networks are benefiting from accelerating demand linked to cloud computing and AI workloads.
- Energy transition assets: Solar, wind and battery storage continue to gain share as costs decline and power demand rises.
- Regulated utilities: Increased investment in electricity transmission and distribution supports predictable earnings growth under regulated frameworks.

Risks and areas to monitor

- Higher-for-longer interest rates impacting valuations
- Regulatory or political intervention affecting asset cashflows
- Asset-specific execution, refinancing or operational risks

Infrastructure continues to offer a compelling blend of resilience, income and long-term growth. With valuations normalised and earnings growth supported by nominal GDP dynamics, the asset class remains well positioned to contribute to diversification and risk-adjusted returns through 2026 and beyond.



Endnotes

1. Based on Cambridge Associates Private Infrastructure Index (Q2 2025). The long-term average is calculated over the period between 4Q03 and 2Q25.
2. Since the start of 2004, which is when the Cambridge Associates private infrastructure returns index begins.
3. EV/EBITDA is enterprise value (debt plus equity) divided by earnings before interest, taxes, depreciation and amortisation and is the main metric used to value infrastructure assets.

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