Maple-Brown Abbott Global Listed Infrastructure Fund – Hedged

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QUARTERLY COMMENTARY | 31 December 2025

Market and Fund Performance commentary

Equity markets were strong during the final quarter of 2025, with global equities (in AUD hedged terms) up 3.7%. The listed infrastructure sector saw modest movement, with the FTSE Global Core Infrastructure 50/50 Index (Hedged AUD) up 0.9%. The Fund was slightly weaker over the quarter relative to the infrastructure sector, up 0.7%* for the quarter (in AUD terms).

This quarter UK and European utilities were mainly strong. Fund holding Scottish electric utility SSE Plc (SSE) was up 26% (local currency), having conducted a £2b equity raising to part fund its updated business plan to invest £33b by 2030. SSE is a key player in the UK's journey to net zero and the focus will be on the upgrade of the Scottish transmission network which will bring power from renewables down into England. The Fund's overweight position in UK regulated companies was a key contributor to our performance during the quarter.

The Fund saw general weakness from its telecommunication tower holdings, which detracted from performance over the quarter. Italian tower company INWIT declined -19% (local currency) after cutting its 2026-2030 guidance to the lower end of previously communicated ranges, citing ongoing difficult conditions in the Italian telecom market and lower-than-expected inflation. Spanish peer Cellnex also fell -7% (local currency). The tower sector has now seen somewhat extended weakness, although we continue to be very confident in the strength of these businesses and so our conviction has only increased following the price weakness.

One area of the portfolio that we have been considering carefully are the electric utilities that have been beneficiaries from the growth in demand by AI / data centres, and most notably in North America. The Fund has benefitted over the last two years by being overweight the utilities that are best positioned from the growth in data centres; being utilities in the states where the electric generation is regulated and where there is available land, water, cheap electricity and government incentives to attract this new load. We are closely watching the risks that these new customers bring to the utilities – including the risk of increasing prices for existing customers, stranded asset risk and execution risk - and how each of the utilities is managing these risks. We discuss this in our special topic section of this quarterly report and will shortly be releasing a more detailed White Paper that delves into North American electric utility customer affordability more broadly. Partly as a result of these risks, we have been slowly shifting our North American utility exposure from the data centre "winners" to what we see as the more unloved parts of the sector, including recently adding a new investment in a second US listed water company to the portfolio.

The listed infrastructure sector's performance over the last 6 months has plateaued somewhat, which has resulted in us seeing valuations overall as becoming more attractive again. Further, we continue to see strong individual stock opportunities within our sector. Our disciplined approach remains focused on identifying mispriced infrastructure businesses with sustainable competitive advantages.

Portfolio discussion

As at 31 December 2025, the Fund held 31 high quality infrastructure securities across 12 countries.

The largest individual country exposure remains the United States of America at (38%), which slightly decreased over the quarter. The UK (17%) was our next largest, which was unchanged, followed by Spain (15%), which had increased.

From a sector perspective, our largest holding continues to be in regulated assets (50%), which was higher over the quarter. Our holding of contracted assets was lower (25%) and holding of transportation concessions (22%), such as airport and toll-road assets, had increased.

The investment team is continually looking on a bottom-up basis for attractive investment opportunities to add to the portfolio. We expect this will result in a relatively low level of portfolio turnover as individual stocks fluctuate between being oversold or overbought.

*All returns are net of fees. Past performance is not a reliable indicator of future return.

Selected infrastructure news items

- In November, fund holding Scottish electric utility SSE Plc updated its plan through to 2030. SSE is a key player in the UK's journey to net zero and the focus of the updated plan is on the upgrade of the Scottish transmission network, which will bring power from renewables in Scotland down into England. The company will be investing £33 billion by 2030, of which 80% is to be invested in UK electric networks and the remaining 20% in renewables and system flexibility. As a result, the electric network's regulated asset value (RAV) is expected to grow at 25% CAGR through to 2030. SSE conducted a £2 billion equity raising during the quarter to partly fund its updated business plan.

- In December, UK regulator Ofgem released the Final Determination for RIIO-3 Final Determinations setting price controls for the Electricity Transmission (including fund holdings National Grid and SSE), Gas Distribution and Gas Transmission sectors over the five-year period starting 1 April 2026. For Electricity Transmission, a total of £10.3bn in baseline funding was approved, with a potential total investment pipeline exceeding £70bn over 2026-2031 through re-opener mechanisms to enable Clean Power 2030 and support unprecedented renewable generation expansion. Companies were granted a 5.70% real cost of equity (at 55% gearing), although the framework provides substantial upside potential through performance incentives for companies that deliver on-time and on budget.

- On 22 December the Trump administration directed a 90-day suspension of all offshore wind leases due to national security concerns identified in recently completed classified reports. The directive affects all five projects currently under construction: the 2.6GW Coastal Virginia Offshore Wind being developed by fund holding Dominion Energy, the 704MW Revolution Wind and 924MW Sunrise Wind projects both being developed by Orsted (which Eversource, as previous joint owner of Revolution Wind, still has contingent exposure to cost overruns), the 806MW Vineyard Wind 1 project being developed by Iberdrola and the 810MW Empire Wind 1 project developed by Equinor. The affected developers are moving to resolve the matter through engagement with the administration and through legal proceedings. Specifically, Dominion Energy has filed for a preliminary injunction, with the hearing scheduled for 16 January 2026. Recent stop-work orders on Empire Wind and Revolution Wind were both resolved after about one month.

- Over the quarter, there were a series of announcements related to growth in gas pipelines to serve new data center and industrial loads across North America. For example, Energy Transfer announced an upsized US$5.6bn Transwestern Desert Southwest pipeline expansion for 2029 operations and Williams Companies continued working on modular gas-fired/hybrid power solutions for data centers alongside its Transco pipeline into Virginia's "Data Center Alley". The regulatory and political backdrop has been incrementally supportive for midstream infrastructure with the US Army Corps issuing a recommendation on the continued operation of the Dakota Access Pipeline (partly owned by fund holding Enbridge) and a federal court ruling that Michigan cannot shut down Enbridge's Line 5, citing Pipeline Safety Act and Canada-US treaty obligations.

^All companies mentioned are for illustrative purposes only and are not a recommendation to buy or sell any particular security

Stock research and investment process

US Electric Utilities' exposure to AI-related investments

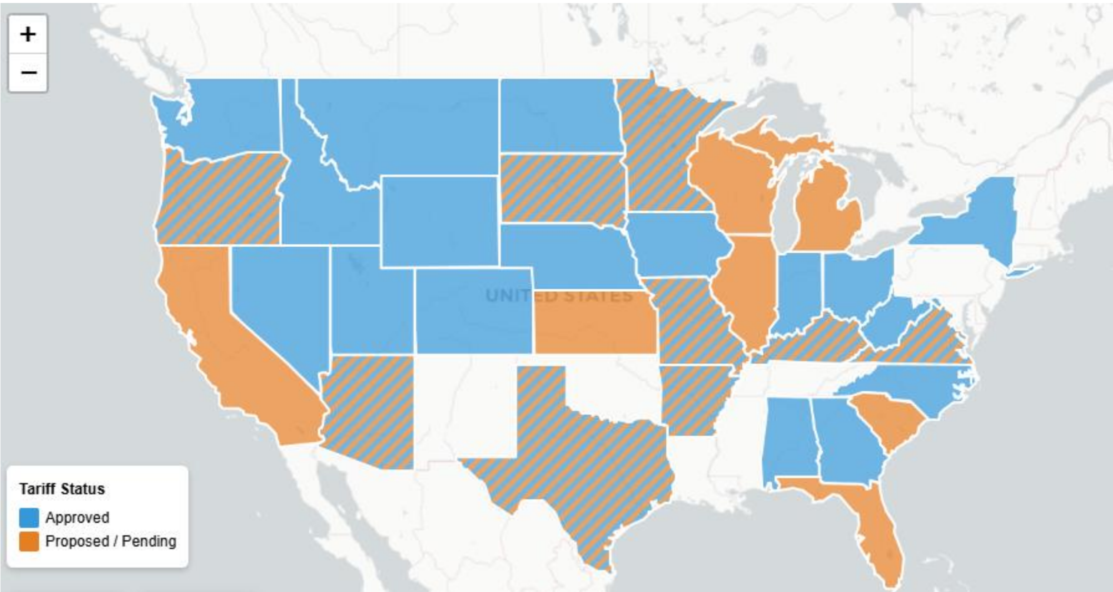
US electric utilities have been one of the beneficiaries of the rapid growth in data centers due to the substantial amounts of electricity needed to support their operations. This surge in forecasted electricity demand is driving meaningful investments in electric generation, transmission and distribution infrastructure, resulting in higher rate base growth that has translated into higher expected earnings growth for electric utilities.

However, as concerns around the sustainability of the rapid AI-related build out increase – with questions emerging about return on investment, competitive positioning and the pace of AI adoption – it is prudent to assess utilities' vulnerability to a potential slowdown. We believe that despite these legitimate concerns, the near-term earnings profiles of most US electric utilities remain relatively well protected. This protection stems from: many utilities having established comprehensive large load tariffs designed to protect both customers and shareholders, utilities' capital plans generally incorporating conservative assumptions on the conversion of their data center customer backlog into forecasted load, and large components of utilities' capex plans having already secured regulatory approval. While execution risk of this large-scale infrastructure build-out remains a concern, these protections provide a degree of certainty that utility earnings should be resilient even if AI-related investment growth moderates.

Large load tariffs protections

The utility industry has responded to the data center boom by developing sophisticated large load tariffs that balance capturing the growth opportunities against the need to protect existing ratepayers and shareholders. These tariffs broadly seek to achieve the objective of limiting stranded asset risk and socialising incremental costs to serve new large loads. That said, tariff designs can vary considerably, providing some utilities with much stronger downside protection than others.

<u>Large load tariff status as of 5 November 2025</u>



Source: Smart Electric Power Alliance

Utilities' earnings from large load customers are primarily protected through minimum billing capacity provisions, which guarantee minimum revenues regardless of actual usage. These usually range from 60-90% of the contract capacity, which create very different levels of risk. At the high end of the range, providing greater customer and shareholder protection, is American Electric Power's tariffs in Ohio (85%), Kentucky (90%) and Michigan (90% pending approval) and Dominion Energy's tariff in Virginia (85% for T&D only). In contrast, NextEra Energy's Florida Power & Light's tariff (70%) screens among some utilities at the lower end of the range that provide less protection. That said, minimum billing capacity provisions only protect against underutilisation and do not necessarily provide a guarantee that incremental costs will fully be met by large load customers.

Longer term, we remain aware of the fundamentally shorter contract terms (ranging from 1-20 years) across large load tariffs compared to the much longer useful lives of infrastructure assets needed to serve these loads (typically 20-40 years). These mismatches can potentially be compounded by the availability of early exit options that may further reduce the effectiveness of contract terms despite the existence of termination notice periods and exit fees, which would typically be insufficient to compensate for the remaining asset balance. An exception is Wisconsin Electric Power's Very Large Customer tariff (for loads above 500MW), that despite having a minimum contract term of 10 years requires customers to pay for any remaining balance on bespoke resources in the event of early termination of the contract. Stronger stranded asset protection is particularly important for utilities operating in regulated generation markets as there is a limited ability to absorb stranded capacity, but they have been more efficient in allocating incremental data center costs to limit bill pressure on existing customers.

Conservative investment plans

A critical factor underpinning our conviction in utilities' earnings resilience is the conservative approach most utilities have adopted in incorporating data center demand into their load forecasts and capital expenditure plans. The prevailing industry practice is to include only customers with executed Electricity Service Agreements (ESAs) and/or Letter of Authorisation (LOA) in formal investment plans. ESAs represent binding commitments that provide utilities with contractual certainty of how the customer will take service and structure to recover costs; whereas LOAs are often a pre-cursor to ESAs that authorise construction and customers must reimburse utilities for costs should they walk away. This conservative posture contrasts with a few utilities that adopt a more speculative approach by incorporating earlier-stage pipeline opportunities, such as Florida Power & Light's inclusion of 6GW of data center demand in its forecasts through to 2032 despite the most advanced opportunities currently only in the stage of "Advanced Discussions". This represents a more aggressive forecast methodology that introduces greater earnings risk should a portion of this pipeline fail to convert to real demand.

Utilities' methodological conservatism also extends to regulatory proceedings, where utilities seek approval for major capital projects. Large components of utilities' capex plans undergo rigorous regulatory review processes that, once approved, ensure the utility will receive both recovery of and return on the investments. This regulatory compact provides substantial downside protection, as regulators effectively validate the prudency of investments at the time of approval, creating a high bar for subsequent challenges to cost recovery. The result is that even if data center demand disappoints relative to forecasts, utilities' approved capital programs and the associated earnings growth remain largely intact.

Execution is critical

While demand risk appears reasonably well-managed through the large load tariff protection and conservative investment plans, concerns around execution risks are elevated as the sector navigates this large-scale infrastructure expansion. The risks inherent in any construction program – including cost overruns, schedule delays and supply chain disruptions – are likely materially heightened in the current environment given the extraordinary simultaneous demand for specialised labor and long-lead-time equipment as utilities across multiple regions pursue parallel build-out programs. The competition for skilled workers and critical components, such as power transformers and gas turbines, creates potential bottlenecks that could pressure both costs and timelines further.

Recognising these risks, many utilities have proactively implemented strategies focused on securing labour and major components, particularly those with long lead times. Entergy is among one of the early movers in securing gas generation equipment, with currently 19.5GW of capacity able to be deployed through to 2032. Early procurement commitments, while requiring some upfront capital deployment, provide greater cost certainty and schedule confidence. Significant cost overruns drive higher customer rates, which can ultimately erode customer, political and regulatory relationships that utilities critically depend on.

Conclusion

While the risks that AI-related capital investment spending may decelerate from current elevated levels are real and growing, we believe that US regulated utilities will maintain their defensive earnings profile even in a moderating demand scenario. In particular, the earnings outlook for electric utilities remains robust and relatively insulated from macroeconomic headwinds. New large load tariffs represent a meaningful improvement in risk protection relative to previous contracts with large customers, providing utilities with enhanced downside protection while still benefitting from the long-term growth opportunity. However, material differences do exist across tariffs creating differentiated risk exposures that investors need to be aware of, in addition to heightened execution and strategic risks in the current environment.

ESG integration

The UK water sector, environmental performance and affordability

Similar to the water infrastructure sector globally, the UK water sector is undergoing a major transformation driven by environmental performance and customer affordability imperatives. For our UK holdings, United Utilities (UU) and Severn Trent (SVT), these priorities are inseparable from financial incentives and the evolving regulatory and political landscape. We believe that both water companies are well positioned to invest and meet the challenges of the sector over the medium and long term. Indeed, the sector's ability to improve its poor environmental track record will determine not only compliance but also its social licence to operate, which has been severely tested in recent years.

Environmental performance – beyond minimal compliance

Environmental performance remains the most visible ESG issue for UK water companies. Persistent sewage pollution incidents, storm overflow discharges and nutrient loading have attracted intense scrutiny from politicians, regulators, customers and activists. UU's historic underinvestment in sensitive catchments such as Windermere exemplifies the challenge. UU acknowledges this and is responding with a £13bn AMP8 (2025-30)[1] programme including upgrades to wastewater treatment works and phosphorus removal technologies, alongside targets for sewer overflow reductions.

We recently met with UU to discuss its underinvestment and the impact of persistent discharges in and around Lake Windermere. UU outlined its £200m AMP8 investment plan for the catchment including upgrades to ten treatment works and measures to reduce storm overflow spills to fewer than ten annually. The company also committed to greater transparency of incidences including real-time monitoring of combined sewer overflows.

While SVT has maintained its industry leading 4-star Environmental Performance Assessment (EPA) rating for six years, this should be viewed in the context of sector-wide challenges and tougher standards going forward. The company has committed £400m to pollution reduction and £500m to PFAS and raw water quality. While storm overflow reductions of around 13 in 2025 are ahead of current targets, these improvements are early stage and require sustained investment.

Affordability: balancing bills and environmental improvements

Affordability remains critical given cost of living pressures. Historically, regulatory determinations prioritised bill stability over environmental investment, contributing to decades of underinvestment. AMP8 marks a structural shift: capital programmes are significantly larger, yet companies must manage affordability alongside stringent environmental obligations. SVT is targeting £500m capital efficiencies across procurement and technology, while UU is leveraging early supply chain mobilisation to mitigate cost escalation.

SVT's average household water and sewage bills are expected to rise from £444 to £518 by FY30 (in FY23 prices), increasing the share of disposable income from 1.2% to 1.3%. While this is challenging amid cost of living pressures, SVT plans to offset the impact through higher investment in network performance and an expanded social tariff for vulnerable customers.[2]

Ofwat has adjusted the way utilities earn bonuses for reducing pollution and meeting performance targets to encourage better environmental results without pushing bills too high. Tax rules like full expensing and faster capital allowances also help companies manage big spending projects by improving cash flow during heavy investment phases.

Financial incentives: linking environmental and social outcomes to returns

The link between environmental performance and financial incentives is clear. Outcome Delivery Incentives (ODIs) now represent material value drivers rewarding companies for achieving pollution reduction, leakage control and customer service targets. SVT has upgraded its ODI guidance to at least £40m for FY26 with around 90% of measures on or ahead of schedule. AMP8's simpler reward system and larger capital base mean companies can earn bonuses for permanent fixes rather than temporary solutions. Doing the right thing for the environment also helps deliver better returns for investors.

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[1] AMP8 is the current five-year investment and regulatory period for the UK water industry, running from 2025 to 2030.

[2] Severn Trent PR24 Investor Summary (Dec 2024).

Regulatory returns embed ESG considerations. SVT's FY26 nominal return of 13% reflects ODI outperformance, financing efficiencies and an "outstanding" EPA status. UU anticipates similar upside through resource adequacy reopeners and emerging contaminant allowances creating optionality beyond its current plan.

Stakeholder relations: rebuilding trust and social licence

Addressing environmental performance is central to repairing fractured relationships with politicians, regulators, customers and activists. Public confidence has been eroded by high-profile incidents and perceived opacity. UU's cultural shift from withholding data to real-time disclosure of combined sewer overflow activity illustrates the sector's move towards transparency.

Political dynamics amplify these pressures. The Cunliffe Review and forthcoming paper on water sector reform will shape regulatory priorities through 2026 and beyond. While environmental protections are unlikely to be diluted, reform carries execution risk. We believe companies with strong regulatory relationships and delivery credibility such as UU and SVT are well positioned to navigate this uncertainty as they execute on their AMP8 plans and rebuild trust.

Macroeconomic perspectives

During the quarter the GLI strategy refreshed its macroeconomic assumptions and discussed key risks during its regular quarterly Macroeconomic Advisory Committee. Two external economists, Gerard Minack from Minack Advisors and Peter Berezin from BCA Research, sit on the Committee to independently share their perspectives. We highlight the key discussions this quarter that are relevant for our investment in infrastructure assets, as well as our views on the portfolio in this context.

Outlook for inflation, growth and interest rates

The Committee maintained its expectation for near-term inflation in the US to rise due to tariffs and then ease as the effects fade. Although this view was largely reflected in CPI swaps, market pricing for aggressive Fed rate cuts appeared to be overdone. The Committee agreed that in the medium- to long-term, there is still likely an upward bias to inflation due to the impact of structural factors, such as the aging population, deglobalisation and fiscal pressures on central banks to keep rates low.

There was no material change in view from the previous quarter that US economic growth is slowing, although whether a recession eventuates remains unclear. Instead, the discussion primarily focused on the current AI-driven investment boom, which by some measures appear highly unsustainable due to the unprecedented scale of investment in short-lived, capital-intensive assets. While the financial market impact of a pullback may be significant, it was noted that the real-world macroeconomic impact is likely to be less severe given the moderate contribution of technology-related investments to US GDP growth and the shallow recession that followed the dot-com bubble.

The Committee discussion also focused on the differentiated outlook in Europe. Growth is expected to be broadly weak across the continent, particularly given the limited room for meaningful fiscal spending outside of Germany. There was also an expectation that political instability will likely continue in France due to the lack of meaningful reforms. Similarly, the UK appears to be in a tough position due to a combination of a weak labour market, sticky inflation and fiscal tightening.

Overall, the Committee's view is that the structural level for *nominal* long-term yields in the US is likely in the range of 4-5%, with 1.5% seen as a reasonable level for *real* long-term yields. However, in the near-term there is a risk that nominal yields could fall towards 3% in the event of a recession.

Portfolio considerations

The Portfolio Managers believe that the anticipated slowdown in global economic activity, combined with more stable inflation (notwithstanding the potential temporary shock in the US) is broadly supportive for infrastructure assets due to their defensive characteristics. While long-term interest rates are high relative to the previous cycles, we believe that today they are broadly aligned with their structural levels and so the risks to valuations of long-dated infrastructure assets from changes in long-term *real* rates are much more evenly balanced than in previous years.

As per normal, during the quarter we adjusted our portfolio positioning for various reasons - most notably for the change in stock prices and analyst viewpoints - with one factor being to incorporate the updated macroeconomic assumptions and discussions from the Committee meeting. We increased our exposure to Europe through an increase to airports and electric utilities, while we decreased our exposure to regulated US electric and multi-utilities – in part reflecting the increased risks around AI-related investments. We continue to closely monitor global developments to ensure that the portfolio remains appropriately positioned for macroeconomic risks.

For latest Fund factsheet click here.

^All companies mentioned are for illustrative purposes only and are not a recommendation to buy or sell any particular security

Fund ratings

Recommended Lonsec Research

Zenith HIGHLY RECOMMENDED

MORNINGSTAR Silver

Morningstar Medalist Rating(TM)
Assigned as of 24/06/25
Analyst Driven %100
Data Coverage %100

Responsible Investment Leader 2024

Signatory of: PRI Principles for Responsible Investment

Further information
Contact our Client Service team by:
T 1300 097 995
E mba@unitregistry.com.au

Australian Head Office
Maple-Brown Abbott Limited
Level 25, Australia Square Tower
264 George Street, Sydney NSW 2000