FP Foresight Global Real Infrastructure Fund (GRIF)

A high-quality infrastructure portfolio well-positioned to weather volatile markets

June 2025

For professional advisers only

Summary

- The introduction of record-level tariffs from the Trump Administration has increased volatility, positioning 2025 U.S. economic forecasts toward stagflation with potential for spillover into the global economy.
- Foresight's Global Real Infrastructure Fund's ("GRIF") infrastructure characteristics are highly attractive in the current uncertain macro-economic environment due to the critical nature of assets driving consistent cash flows, portfolio diversification, inflation-linked revenues, and growing income streams.
- GRIF's focus on "real" infrastructure offers investors infrastructure exposure with higher quality cash flows and structural demand drivers.
- Historically, during periods of lower volatility and higher inflation, infrastructure has outperformed other traditional asset classes e.g. global equities and bonds.
- Listed infrastructure trades at an attractive relative valuation versus equities which positions it for a compelling total return outlook over the long-term.
- Recent public takeover announcements highlight quality and support attractive valuation proposition.

Record tariff announcements sound the stagflation alarm

With half of the world's population participating in elections in 2024, the global political landscape was poised to be reshaped in 2025. However, the introduction of tariffs to levels not seen since the Great Depression has sounded the warning bells of a stagflationary shock and left 2024 seemingly further away than many could have imagined.

Few countries have been spared from see-sawing tariff threats from the Trump administration throughout 2025. Chopping and changing trade policy resulted in a sharp rise in implied volatility (VIX), a >10% reduction in the S&P 500 P/E multiple in 1Q25 and sent business confidence cratering. With soft data deteriorating, consensus macroeconomic growth forecasts are now positioned for soft data to turn into hard data and are forecasting a period of lower GDP growth with persistent inflation for the U.S., i.e. stagflation [Figure 1]. Such a situation is likely to provide challenges for consumers, corporations and central banks, with no easy fix.

Determining the ultimate level and time to implement tariffs on a global scale is an impossible task. However, we expect volatility to be elevated with infrastructure well-positioned against this backdrop.

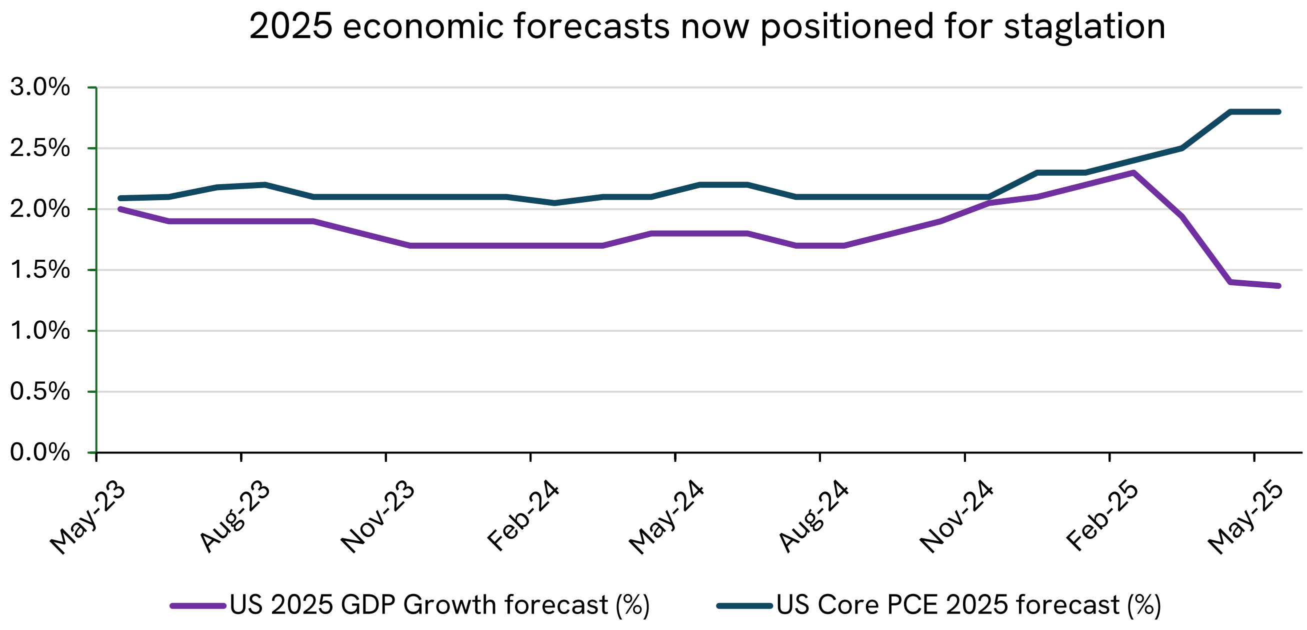

Figure 1 - Source: Bloomberg consensus forecasts, Foresight Capital Management as of 13 June 2025.

GRIF's investment characteristics are attractive against an uncertain macro backdrop

GRIF aims to maximise the unique set of infrastructure investment characteristics by focusing exclusively on "real" infrastructure. We believe these investment characteristics will once again be evident and highly desirable for investors.

Critical infrastructure: GRIF portfolio companies earn their revenues from a physical asset base which typically provides essential services for everyday life e.g. electricity, water, roads, and digital connectivity. Asset lives are long, competition is limited and the critical nature of these assets means demand, earnings and cash flows are predictable through the economic cycle.

Structural mega trends: Portfolio companies are supported by multi-decade structural demand drivers including digitalisation, decarbonisation, and delivering critical infrastructure.

Inflation protection: Companies' contracts typically include inflation-indexation, providing protection during periods of higher inflation. Moreover, asset values tend to increase with inflation and replacement costs over the long run.

Low correlation to other asset classes: Listed infrastructure has historically exhibited lower correlation to listed equities and bonds providing diversification in portfolios and helping to lower portfolio volatility.

Attractive income proposition: Dividends underpinned by the recurring cash flows generated from the assets provide investors an attractive income proposition.

GRIF's high-quality cash flows a key differentiator

GRIF differs from peers in its private-market approach and the high-quality underlying cash flows of the portfolio. The Fund screens favourably from a cash-flow quality perspective versus the broader equity and infrastructure indices. The data in Figure 2 shows that GRIF portfolio companies have delivered attractive revenue growth, and consistently higher operating and free cash flow ("FCF") margins than the relevant indices.

This has resulted in a dividend stream growing above the wider market, funded by the operating cash flows of the businesses. We believe that combined with paying sensible valuations this will deliver superior returns over the long-term.

GRIF	FY19	FY20	FY21	FY22	FY23	FY24	S&P500	Global infra
Revenue growth	6%	13%	11%	17%	13%	8%	5%	2%
Gross margin	71%	70%	70%	68%	66%	69%	45%	61%
EBIT margin	26%	25%	23%	28%	25%	25%	16%	20%
FCF margin	10%	11%	7%	12%	9%	7%	9%	4%
Dividend coverage	2.6x	2.9x	2.7x	2.6x	2.9x	2.5x	2.7x	3.6x
DPS growth	7%	3%	7%	7%	10%	7%	5%	5%

Figure 2 - Source: Foresight Capital Management, Bloomberg GRIF portfolio historic financial performance as of June 2025.Past performance is not a reliable guide to future results. Your capital is at risk.

Lower growth with persistent inflation has historically favours infrastructure

Historically, a combination of lower-than-expected growth and persistent inflation has favoured infrastructure over equities and bonds.

Ranked total return performance

Economic	Recovery	Expansion	Stagnation / recession	Stagflation
Global Equities	**1**	**1**	3	3
Global Infrastructure	2	2	2	**1**
Global Treasuries	3	3	**1**	2

Figure 3 - Source: Bloomberg, FTSE Global core infrastructure index, MSCI global equities, and global treasury (quarterly total returns from 2006-2025) Recovery = high growth and low inflation, Expansion = high growth and high inflation, Stagnation / recession = low growth and low inflation, Stagflation = low growth and high inflation.

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The immediate post-tariff announcement reaction has also favoured global infrastructure relative to global equities and bonds [Figure 4].

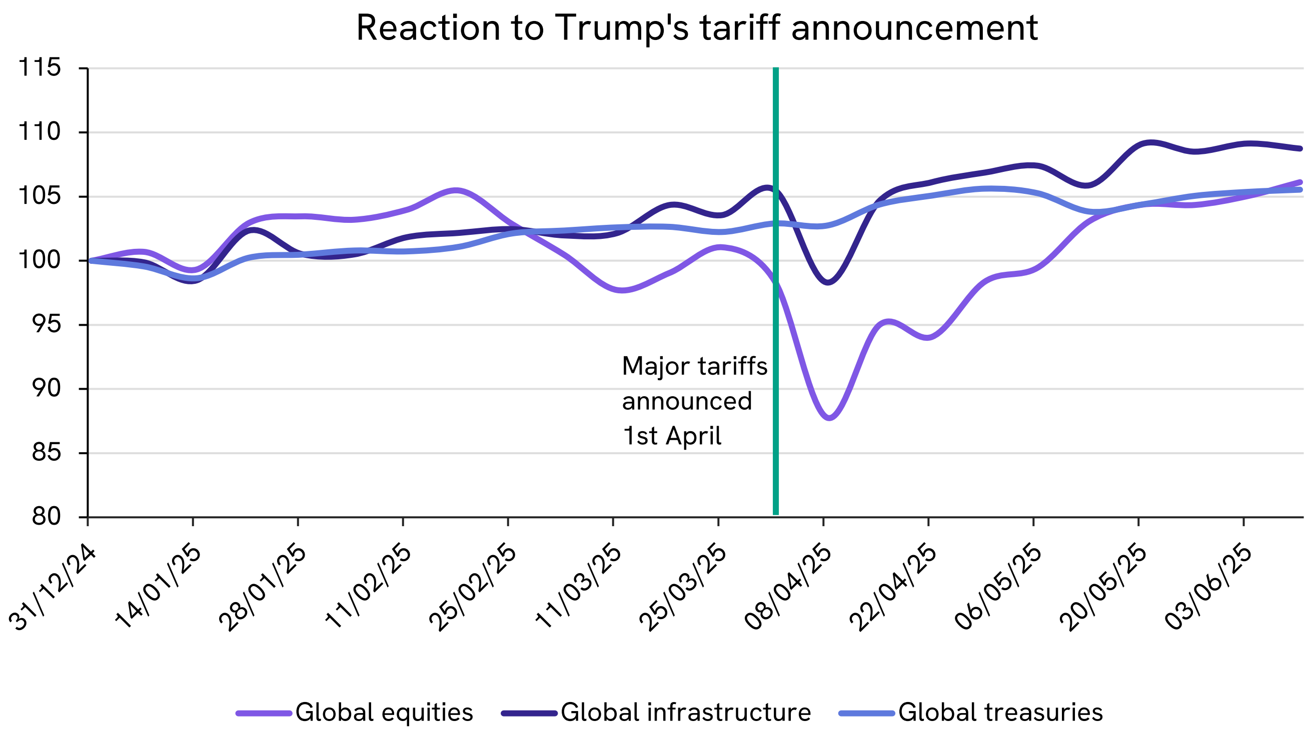

Figure 4 - Source: Foresight Capital Management, Bloomberg as of 13 June 2025.

The most attractive relative valuations trade at in a decade

Listed core infrastructure currently trades at the cheapest relative EV/EBITDA valuation to global equities over the past decade. While the initial response post the tariff announcement saw this discount close, global equities have regained the valuation premium they have enjoyed the past 24 months, despite a distinctly different risk profile moving forward.

Attractive entry multiples and asset base supported valuations should provide protection against sharp movement in equity market valuations. Moreover, lower entry multiples are supportive of asset class relative total return outperformance, with infrastructure currently well-positioned to generate compelling relative returns through the economic cycle.

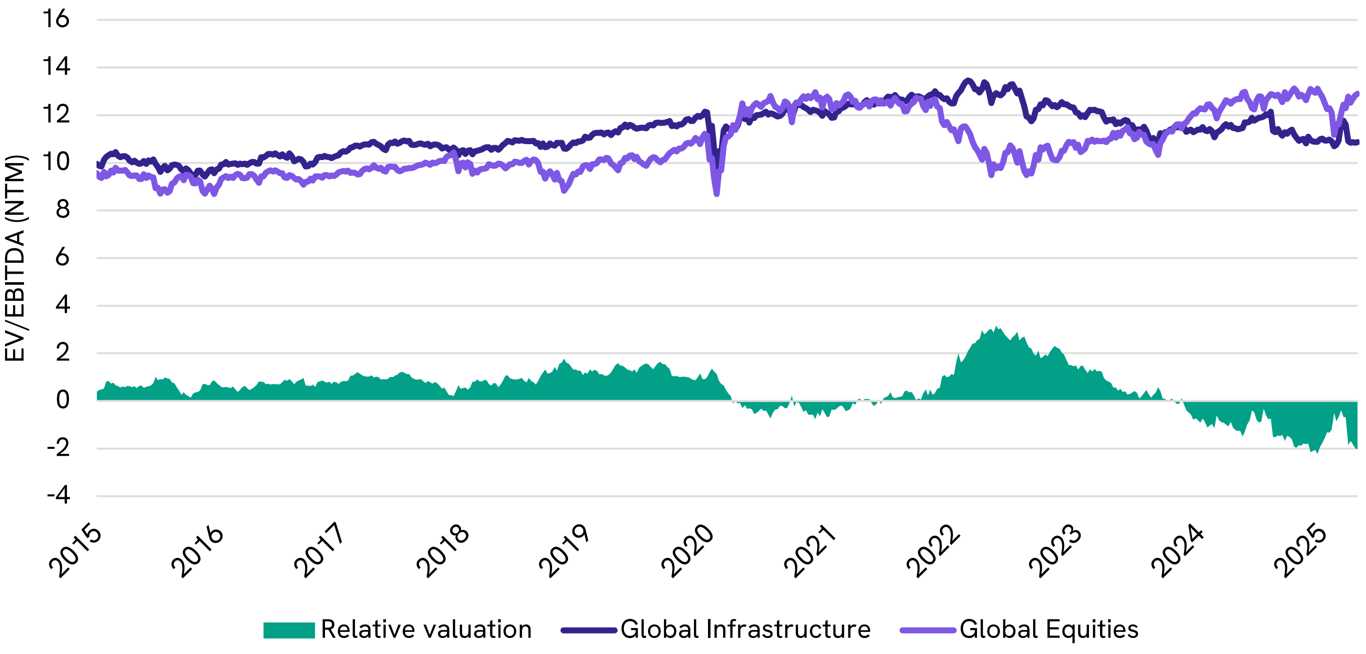

Figure 5 - Source: Foresight Capital Management, Bloomberg as at 13 June 2025. Global Infrastructure is the FTSE Global Core 50/50 total return index, Global equities is the MSCI all world index.

Past performance is not a reliable guide to future results. Your capital is at risk. *There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend might begin. EV/EBITDA is the ratio of enterprise value to earnings before interest, taxes, depreciation, and amortization using forward-looking estimates.*

Recent M&A shows institutional recognition of high-quality cash flows at attractive valuations

Recent M&A activity in listed infrastructure has underscored a growing trend among institutional investors to capitalise on the persistent disconnect between public market valuations and private asset pricing. With the underlying investment themes not only intact but growing at pace, institutional investors are looking to public markets to pick up companies which have existing high quality assets, a pipeline of investment opportunities, and skilled management teams.

In 2025, this dynamic has been evidenced in the GRIF portfolio, with several notable takeovers displayed in Figure 4. Innergex Renewable Energy, a Canadian renewable energy producer was acquired by CDPQ at C$13.75 per share—a 58% premium to its last close and 80% above the 30-day average price. It also triggered a rally in sector peers, with Boralex Inc and Northland Power Inc immediately rising 10% and 9%, respectively. Assura Plc, a UK healthcare REIT which owns doctors surgeries, received a revised 49.4p offer from KKR and Stonepeak, a 31.9% premium, whilst a further bid from UK healthcare REIT Primary Health Properties remains a possibility.

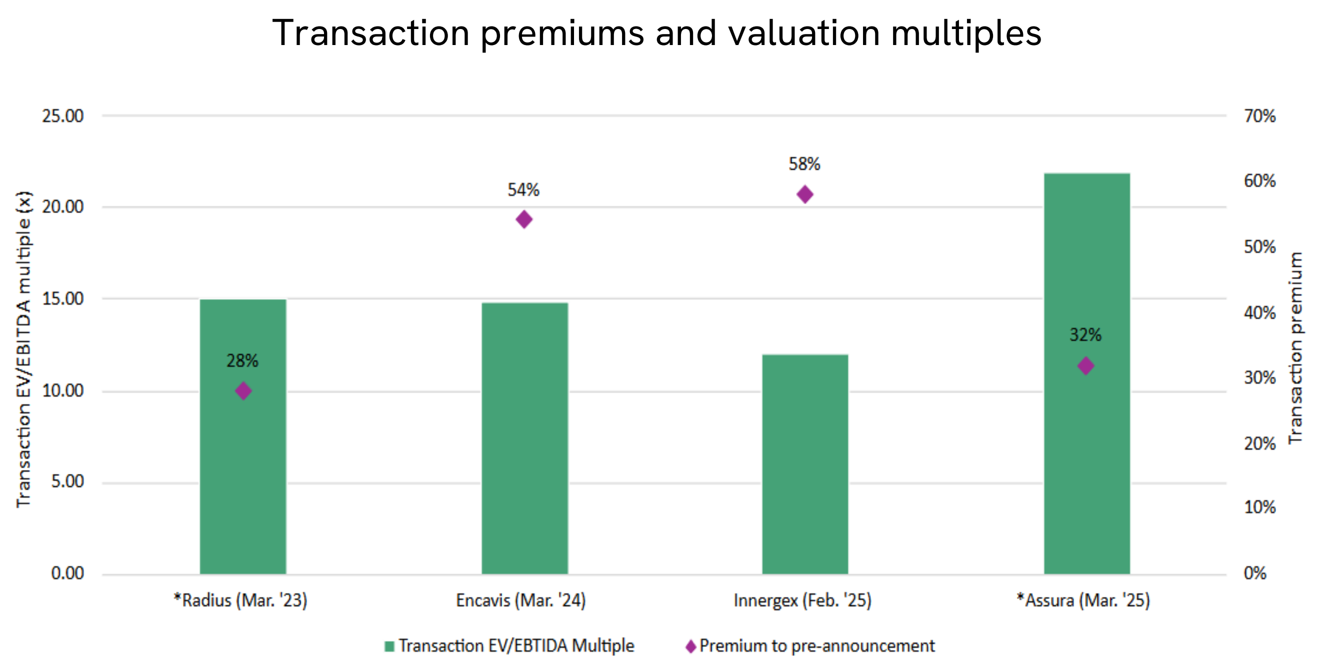

*Figure 6 - Source: Bloomberg, Company announcements and Foresight Capital Management analysis, as at 31 March 2025. * The Assura Plc transaction is based on an implied offer from KKR and Stonepeak, which has not yet been confirmed. * Radius multiple reflects Enterprise Value (EV) relative to Ground Cash Flow.*

These transactions signal increasing strategic interest in listed infrastructure platforms. As interest rate headwinds stabilise and private capital remains abundant, should listed infrastructure remain undervalued, further consolidation could continue; this would support both asset valuations and increase investor confidence in the listed infrastructure sector.

Key takeaways

- Rising volatility and stagflation risks from U.S. tariffs increase the attractiveness of infrastructure investments due to their stability and inflation protection.
- GRIF's focus on essential, real infrastructure provides high-quality cash flows, inflation-linked income, and structural demand support.
- Listed infrastructure is undervalued relative to equities, with recent takeovers underscoring its quality and long-term return potential.

For more information, please contact the Foresight Capital Management team:

T: +44 (0)20 3667 8199

E: fcmclientrelations@foresightgroup.eu

W: foresight.group

Key contributors:

Eric Bright

Managing Director &
Co-Lead Manager
Foresight Capital Management

Seth Hoskin

Investment Manager
Foresight Capital
Management

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