

WHEN INFLATION BITES

GLOBAL INFRASTRUCTURE IN FOCUS: REAL ASSETS BUILT TO GROW WITH INFLATION

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The world is working differently. We believe that a significant transition is underway, and under the surface the dynamics that govern growth, inflation, and correlations are changing in ways not seen in decades. Inflation is no longer a temporary disruption to wait out; it is a defining structural force reshaping every portfolio. Investors who recognise its effects may be better positioned to protect, adapt, and achieve their desired outcomes.

Why does inflation matter for global infrastructure investors?

For global infrastructure, inflation can be more of an opportunity than an obstacle, and the reason is structural. Infrastructure companies are tied to essential services and long-lived assets: the grids, pipelines, ports, towers, and utilities that economies cannot switch off. They offer a combination of characteristics that much of the market lacks: the potential for yield, capital appreciation, diversification, and inflation protection through an inflation linkage—the ability to adjust prices in line with inflation. When prices rise, many of these businesses can pass costs through to consumers via regulated returns, contracted revenues, or index-linked pricing. The result can be cash flows that tend to hold up, and can even benefit, when inflation runs hot.

This matters because the inflation backdrop is creating an opening for assets that can grow their income alongside higher prices. In our view, inflation is likely to remain sticky, or persistent, even if geopolitical tensions ease, and central banks are likely to keep interest rates higher for longer amid ongoing price pressures. Strong nominal growth and continued inflationary pressure suggest interest rates are likely to remain elevated.¹ Under those conditions, assets that can generate income capable of keeping pace with prices become scarce and valuable, and infrastructure appears structurally well suited to that environment.

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“Inflation is no longer something to wait out. Infrastructure is one of the few places where the same forces pressuring the rest of a portfolio are what make its cash flows grow.”

How does the strategy help navigate an inflationary world?

Global infrastructure helps investors navigate inflation by offering a different mix of underlying return drivers than traditional equity allocations. This mix includes durable cash flows, essential-service demand, and the ability to participate in equity market returns while carrying lower sensitivity to the forces that can challenge conventional bonds and growth stocks. It has historically exhibited relatively low correlation to many traditional equity exposures, including some of the most concentrated areas of market leadership.^{2,3} It has also shown a negative correlation with the Magnificent Seven on a trailing one-year basis, based on weekly returns as of 30 June 2026.^{4,5} In a portfolio, that means infrastructure may serve as a useful complement rather than simply another source of broad market exposure.

Where do the risks, opportunities, and conviction lie?

Our conviction is grounded in a broadening opportunity set. Infrastructure investment is projected to grow at an 11.1% compound annual rate to 2028,⁶ supported by fiscal policy across the US, Europe, and Asia. We believe the asset class is at an inflection point, driven by rising power demand from artificial intelligence (AI) and electrification, a renewed focus on supply-chain resilience and energy independence, and the need to modernise aging infrastructure.

Governments are increasing stimulus, streamlining approval processes, and launching co-investment vehicles to attract private capital, while reshoring and near-shoring are driving demand for industrial corridors, logistics hubs, ports, and power infrastructure. In this environment, we continue to view infrastructure favourably for real-asset exposure and portfolio diversification. Expanding beyond traditional infrastructure to include selected non-traditional and social infrastructure businesses widens the investible universe and enhances opportunities for differentiated security selection.

One example of differentiation in the strategy is retirement housing. More broadly, the strategy can evaluate more than 400 companies, versus roughly 75 to 80 in the benchmark, creating greater flexibility to identify relative value and income opportunities.⁷

The opportunity set is also expanding. Demand for data centre capacity could more than triple by 2030, and data centres could consume up to 12% of total US electricity by 2028, up from 4.4% in 2023.⁸ This is fuelling investment across the energy supply chain and in adjacent areas such as utilities, grid infrastructure, network solutions, and specialised services. With global infrastructure needs up to 2040 estimated at US\$106 trillion,⁹ we see growing relevance in sectors that help build, operate, and maintain essential systems.

Infrastructure companies may be less economically sensitive than many other equities, but they are not without risk. In a higher-rate environment, the greatest vulnerabilities are likely to be in businesses that cannot pass through rising costs or that rely on excessive leverage. Geopolitical developments may also pressure certain subsectors—airports, for example, have been negatively affected in 2026.¹⁰ In our view, that underscores the value of active security selection, disciplined portfolio construction, and a focus on sustainable cash flows.

If inflation remains persistent, investors may increasingly turn to real assets with the potential to grow cash flows over time. We believe global infrastructure remains a compelling way to express that view.

Endnotes

1. Source: BNY Investments Strategy & Research Group as of 17 June 2026.
2. Source: BNY Investments Strategy & Research Group, Macrobond.
3. Global infrastructure: 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.
4. The "Magnificent Seven" refers to seven large US technology-focused companies that have had an outsized influence on stock market performance because of their size, growth, and investor popularity.
5. Source: BNY Investments Strategy & Research Group, Macrobond.
6. Source: Boston Consulting Group (BCG). Data as of 31 December 2025.
7. Source: BNY Investments Newton, 1 September 2026. The strategy's investible universe is broader than the benchmark, providing greater flexibility to identify relative value and income opportunities. Benchmark: S&P Global Infrastructure NR Index.
8. Source: 2024 United States Data Center Energy Usage Report, Lawrence Berkely National Laboratory, December 2024.
9. Source: McKinsey & Company, "The infrastructure moment," 9 September 2025.
10. Source: BNY Investments Newton. Benchmark: S&P Global Infrastructure NR Index. Year to date as of 1 September 2026.

The value of investments and the income received can fall as well as rise and investors may not get back the original amount invested.

Key investment risks: Global Infrastructure Dividend Focus Equity strategy

Objective/Performance Risk: There is no guarantee that the strategy will achieve its objectives.

Currency Risk: Strategies which invest in international markets may be exposed to changes in currency rates which could affect the value of their portfolios.

Emerging Markets Risk: Emerging Markets have additional risks due to less developed market practices.

Concentration Risk: A fall in the value of a single investment may have a significant impact on the value of the strategy because it typically invests in a limited number of investments.

Counterparty Risk: The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the strategy to financial loss.

Investment in Infrastructure Companies Risk: The value of investments in Infrastructure Companies may be negatively impacted by changes in the regulatory, economic or political environment in which they operate.

High Yield Companies Risk: Companies with high-dividend rates are at a greater risk of not being able to meet these payments and are more sensitive to interest rate risk.

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