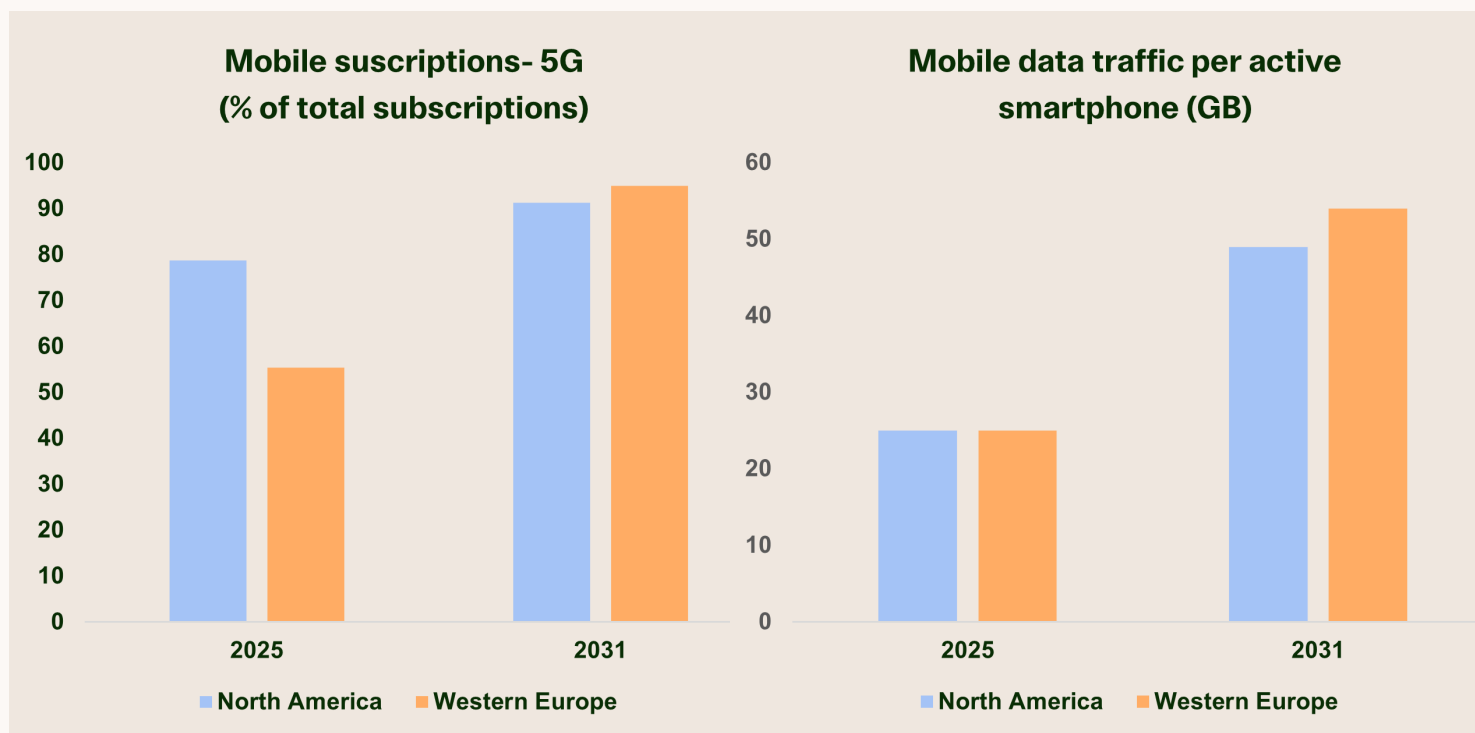


Infrastructure in focus: March 2026

The infrastructure HALO effect

HALO (heavy assets, low obsolescence) stocks have come into focus in markets in the New Year. In recent weeks, investors have pushed into defensive and asset-heavy sectors, as concerns about the impact of AI on some business models have led a rotation into infrastructure, along with energy and materials.



Source: Ericsson, Magellan analysis

Such companies are attractive to investors when uncertainty ratchets higher. Businesses with real assets have less scope for disruption and, typically, dependable demand drivers. Infrastructure is a particularly clear example, such as with integrated power companies continuing to serve customers through their generation, transmission and distribution assets or water companies providing drinking water to households and other end users.

Importantly, we see the HALO effect for infrastructure businesses as having staying power beyond any sector rotation in the near term. At their core, these are not cyclical businesses. Communications infrastructure is one such sector we like that exemplifies this outlook. These companies own tower infrastructure and lease space on their towers to mobile network operators. Growing data demand requires more equipment; and while adding more equipment on a tower incurs only a minimal incremental cost, it can provide a meaningful uplift to returns for that tower. Importantly, tower revenues are also mostly long-term, contracted and predictable in nature.

These companies have a solid, sustainable outlook for revenue growth, reflecting the insatiable demand for mobile data everywhere (estimated at 12-13% CAGR in Western Europe and the US through 2031¹). While we anticipate further consolidation from telcos (particularly in Europe), strong contracts, the potential for government-mandated investment, and improving return economics for the remaining telco players (which should allow them to invest in their networks) mean the tower companies should be able to continue to generate solid cash flow and returns to investors. Examples of companies we invest in include US tower companies American Tower and Crown Castle and European communications infrastructure company Cellnex.

There are risks to our outlook, including a major step-change in technology. However, we see communications infrastructure as a true HALO sector. Mobile data seems certainly low obsolescence in the world of social media, apps, maps and mobile entertainment we live in today.

¹Ericsson

For more information, please visit

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