



Q2 2025

Magellan Global Listed Infrastructure Update

Co-Heads of Infrastructure and Portfolio, Ben McVicar and Ofer Karliner, share a timely update on the past quarter, exploring how recent geopolitical developments have affected the infrastructure sector. They offer valuable insights into key portfolio holdings, emerging trends and investment opportunities to watch in the months ahead.

Could you give us an update on the past quarter and the key takeaways?

The quarter was marked by significant volatility, beginning with Trump's 'Liberation Day' tariffs in early April, which included steep tariff hikes on China and threats of port taxes. These actions, combined with political uncertainty about the Federal Reserve, triggered a sharp market decline, with the MSCI World Index falling around 12%. However, as Trump gradually backed down, markets recovered quickly, ending April nearly flat and continuing to grow through May and June.

June brought further geopolitical tension with conflict in the Middle East and fears of disruptions to oil supply via the Strait of Hormuz. Despite these concerns, infrastructure investments held up well, demonstrating their defensive qualities during periods of market stress and economic uncertainty.

Looking ahead, Trump's unpredictable style is expected to continue driving market volatility, though the peak may have passed. Infrastructure remains a reliable asset class in this environment, offering stability and protection amid ongoing political and economic disruptions.

In what ways are shifting US political policies currently influencing investment strategies?

The portfolio holds a range of US-based infrastructure assets, including utilities, mobile phone towers and freight rail businesses. Recent political developments, particularly under the Trump administration, have created a volatile environment. Key areas of focus include the potential reintroduction of tariffs and

the progress of the 'big beautiful bill', which contains provisions that could affect foreign investor taxes and renewable energy subsidies.

The proposed foreign investor tax (section 899) initially raised concerns but now appears unlikely to be implemented, which is a positive outcome. Tariffs, if reinstated, could have inflationary effects, though the portfolio's utility holdings are largely insulated due to their ability to pass costs through to consumers. Freight rail may be more exposed due to its partial reliance on international trade.

A significant development is the planned phase-out of renewable energy tax credits, which could slow investment in renewables and raise overall energy costs in the US. However, the utilities in the portfolio are well-positioned, as their growth is not dependent solely on renewables. They continue to benefit from ongoing infrastructure upgrades and rising demand from sectors like data centres, offering steady long-term potential despite some policy headwinds.

How has infrastructure been performing recently, especially considering ongoing macroeconomic concerns and political uncertainty?

The period since Trump's inauguration has been marked by ongoing policy shifts from the Trump administration, including fluctuating tariffs on Canada, Mexico, China, and steel. Despite this volatility, infrastructure investments have performed strongly, demonstrating their resilience and defensive qualities. This aligns with the portfolio's strategy of focusing on businesses with robust cash flows supported by strong regulation or competitive advantages.

The success of the infrastructure portfolio highlights the importance of true diversification. By excluding economically sensitive assets like oil and gas, which saw sharp declines in April, the portfolio has maintained stability and avoided the volatility seen in broader equity markets. This selective approach ensures that infrastructure serves its intended role: providing protection and balance during uncertain times.

Ultimately, the quarter reinforced the value of high-quality infrastructure assets. These investments have delivered consistent performance, validating the strategy of focusing on defensiveness and diversification, especially amid unpredictable political and economic conditions.

Looking ahead, what's your outlook for infrastructure and where are you seeing the most compelling opportunities?

Infrastructure assets are designed to deliver steady, risk-adjusted returns rather than excessive profits. Their lower risk profile stems from their essential nature – assets such as utilities and transport – and their strong competitive positions, often as monopolies or near-monopolies. These characteristics make them resilient during economic slowdowns, as demand for essential services remains stable.


Current opportunities in infrastructure fall into two main categories. First, some assets are underappreciated by the market, with growth potential not fully reflected in current valuations.

Second, certain sectors facing broader industry challenges, like the UK water sector, contain high-quality companies trading at discounted levels, offering attractive entry points for long-term investors.

From a macro perspective, the environment remains favourable. Inflation is easing, interest rates have reset higher and valuations across infrastructure assets are not demanding. This backdrop supports the portfolio's ability to meet return objectives, especially given the sector's defensive qualities and long-term growth drivers.

Watch the video [here](#)

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