

JULY 2025

# Infrastructure: Well-Positioned to Weather Volatile Markets

- The introduction of tariffs from the Trump Administration has increased volatility, positioning 2025 U.S. economic forecasts toward stagflation with potential for spillover into the global economy.
- We believe the **Cromwell Foresight Global Infrastructure Fund (CFGIX)** 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.
- The Fund'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.

## ABOUT THE AUTHOR

### Foresight Capital Management

Foresight Group is a leading infrastructure and private equity manager with \$17 billion in assets as of March 31, 2025.

Foresight has been backing innovation that drives progress since 1984 and has been investing in infrastructure since 2008. Foresight Group Holdings is listed on the London Stock Exchange. The Portfolio Managers deploy an investment process that leverages Foresight's private markets insights to identify best-in-class public markets infrastructure businesses.



#### PORTFOLIO MANAGEMENT TEAM



**Nick Scullion**

Partner, Lead Portfolio Manager



**Eric Bright, CFA**

Managing Director, Co-Portfolio Manager

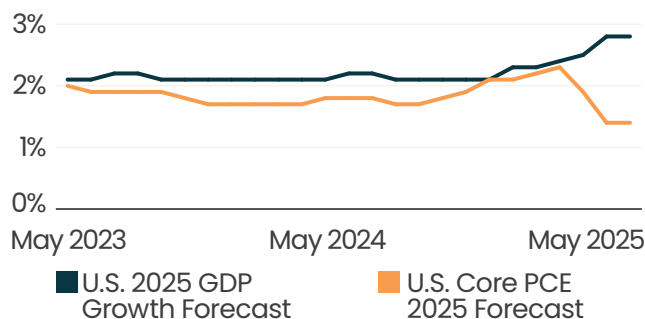
# Record Tariff Announcements Sound the Stagflation Alarm

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 price-to-earnings 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. 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.

## 2025 ECONOMIC FORECASTS NOW POSITIONED FOR STAGFLATION



Source: Bloomberg consensus forecasts, Foresight Capital Management as of 6/13/25.

CFGIX aims to maximize 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:** CFGIX 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 digitalization, decarbonization, 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.

## High-Quality Cash Flows a Key Differentiator

CFGIX differs from peers in its private-market approach and the high-quality underlying cash flows of the portfolio. The Fund screens favorably from a cash-flow quality perspective versus the broader equity and infrastructure indices. The data below shows that CFGIX 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.

|                           | CFGIX FY23 | CFGIX FY24 | S&P 500 | GLOBAL INFRA |
|---------------------------|------------|------------|---------|--------------|
| Revenue growth            | 13%        | 8%         | 5%      | 2%           |
| Gross margin              | 66%        | 69%        | 45%     | 61%          |
| EBIT margin               | 25%        | 25%        | 16%     | 20%          |
| FCF margin                | 9%         | 7%         | 9%      | 4%           |
| Dividend coverage         | 2.9x       | 2.5x       | 2.7x    | 3.6x         |
| Dividend per share growth | 10%        | 7%         | 5%      | 5%           |

Past performance is not a guarantee of future results. Fund data is portfolio-weighted historic financial performance as at June 2025. Index data is as of 2024.

## Lower Growth with Persistent Inflation has Historically Favored Infrastructure

### RANKED TOTAL RETURN PERFORMANCE

| ECONOMIC                     | RECOVERY | EXPANSION | STAGNATION /<br>RECESSION | STAGFLATION |
|------------------------------|----------|-----------|---------------------------|-------------|
| Global Equities              | 1        | 1         | 3                         | 3           |
| <b>Global Infrastructure</b> | <b>2</b> | <b>2</b>  | <b>2</b>                  | <b>1</b>    |
| Global Treasuries            | 3        | 3         | 1                         | 2           |

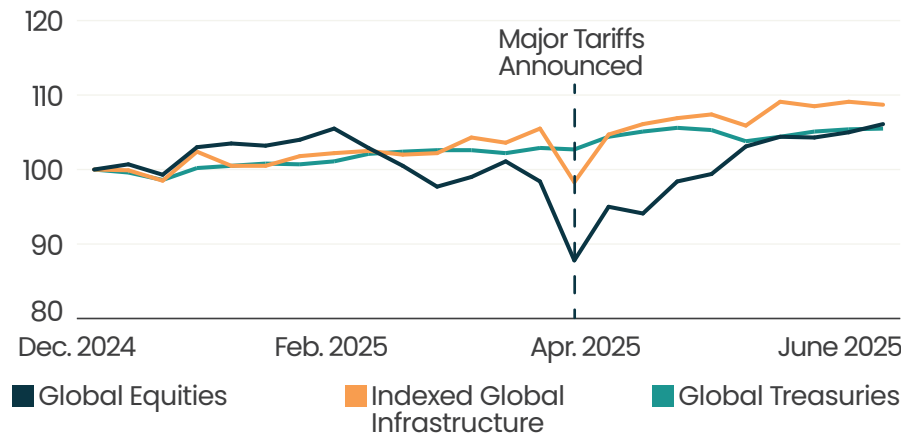
Source: Bloomberg, Quarterly total returns from 2006–2025 for FTSE Global Core Infrastructure Index, MSCI Global Equities, and Bloomberg Global Treasury Index ranked from 1 (highest return) to 3 (lowest return). Recovery = high growth and low inflation, Expansion = high growth and high inflation, Stagnation / recession = low growth and low inflation, Stagflation = low growth and high inflation.

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

# Lower Growth with Persistent Inflation has Historically Favored Infrastructure

(CONTINUED)

## REACTION TO TRUMP'S TARIFF ANNOUNCEMENT



Source: Foresight Capital Management, Bloomberg as of 6/13/25. Global Infrastructure is the FTSE Global Core 50/50 Total Return Index, Global equities is the MSCI All World Index. Global treasuries is the Bloomberg Global Treasury Index. Index levels rebased to 100.

The immediate post-tariff announcement reaction has also favored global infrastructure relative to global equities and bonds.

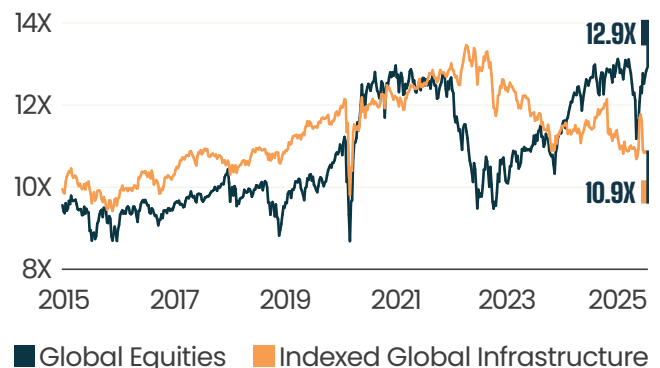
## The Most Attractive Relative Valuations Trade at in a Decade

Listed core infrastructure currently trades at the cheapest relative Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortization (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.

### EV/EBITDA

(Next Twelve Months)



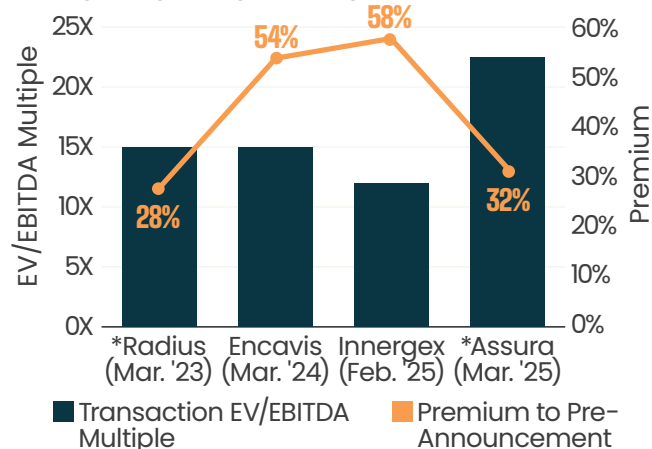
Source: Foresight Capital Management, Bloomberg as of 6/13/25. Global Infrastructure is the FTSE Global Core 50/50 Total Return Index, Global equities is the MSCI All World Index.

# Recent M&A Shows Institutional Recognition of High-Quality Cash Flows at Attractive Valuations

Recent merger and acquisition (M&A) activity in listed infrastructure has underscored a growing trend among institutional investors to capitalize 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 CFGIX portfolio, with several notable takeovers as shown to the right. 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 U.K. healthcare real estate investment trust (REIT) Primary Health Properties remains a possibility.

## TRANSACTION PREMIUMS AND VALUATION MULTIPLES



Source: Bloomberg, Company announcements and Foresight Capital Management analysis, as at 3/31/25. \*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, which is also referred to as gross profit.

These transactions signal increasing strategic interest in listed infrastructure platforms. As interest rate headwinds stabilize 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

- 1 Rising volatility and stagflation risks from U.S. tariffs increase the attractiveness of infrastructure investments due to their stability and inflation protection.
- 2 CFGIX's focus on essential, real infrastructure provides high-quality

cash flows, inflation-linked income, and structural demand support.

- 3 Listed infrastructure is undervalued relative to equities, with recent takeovers underscoring its quality and long-term return potential.

## Contact Us

### FINANCIAL PROFESSIONALS



888.844.4110



[advisors@thecromwellfunds.com](mailto:advisors@thecromwellfunds.com)

### INDIVIDUAL INVESTORS



855.625.7333

## Disclosures

Effective April 30, 2025, the Cromwell Foresight Global Sustainable Infrastructure Fund was renamed the Cromwell Foresight Global Infrastructure Fund.

***Past performance is no guarantee of future results. Index performance is not indicative of fund performance. You cannot invest directly in an index. For current standardized performance of the Fund, please visit [thecromwellfunds.com](https://thecromwellfunds.com).***

***Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 888.844.4110 for a prospectus. Read it carefully before investing or sending money.***

Mutual fund investing involves risk. Principal loss is possible.

The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund is non-diversified and therefore a greater percentage of holdings may be focused in a small number of issuers or a single issuer, which can place the Fund at greater risk. Investing in Master Limited Partnerships (MLPs) involves certain risks related to investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. Investing in ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of the shares may trade at a discount to its net asset value (NAV), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Fund's ability to sell its shares.

Cash flows is the total amount of money being transferred in and out of a business. Dividend coverage is the ratio of a company's net income over the dividend paid to shareholders. Dividend per share growth is the amount of dividends declared by a company divided by the number of outstanding shares. Earnings before interest and taxes (EBIT) is a company's profitability before interest expenses and income taxes. Enterprise value to earnings before interest, taxes, depreciation, and amortization (EV/EBITDA) is a valuation multiple that compares a company's total value to its operational earnings. Free cash flow is the cash a company generates after taking into consideration cash outflows that support its operations and maintain its capital assets. Price-to-earnings values a company's share price relative to its earnings per share. Revenue growth is an increase in a company's sales over a certain period. Core personal consumption expenditures (PCE) is a measure of inflation excluding food and energy prices.

The CBOE Volatility Index (VIX) represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. The FTSE Global Core 50/50 total return index represents a broad market measure of global infrastructure and infrastructure-related listed securities in developed markets. The MSCI World Index captures large- and mid-cap representation across Developed Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country. FTSE Global Core Infrastructure Index include global companies that derive a minimum of 65% of their revenue from core infrastructure activities. The Bloomberg Global Treasury Index tracks fixed-rate, local currency government debt of investment grade countries, including both developed and emerging markets. The index represents the treasury sector of the Global Aggregate Index and contains issues from 37 countries denominated in 24 currencies. Indices are unmanaged, are not available for investment and do not incur expenses.

Opinions expressed are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security. Current and future portfolio holdings are subject to risk. [Click here](#) view the Fund's holdings.

Cromwell Funds distributed by Foreside Fund Services, LLC.