



Economic Situation and Strategy

25. September 2026

Infrastructure Stocks Are Allowed to Be Boring

Investment in infrastructure is currently experiencing a renaissance. Electrification, the AI boom in data centers, an increasingly bipolar world order and Germany's special fund of more than 500 billion euros have moved the topic from a niche into the center of the investment debate. With the attention comes a growing risk of confusion: Not everything that is called infrastructure today offers the cash flow profile that usually distinguishes this asset class.

Unlike traditional, illiquid infrastructure investments, listed infrastructure invests in publicly traded shares of companies that own and operate infrastructure: energy, water and wastewater networks, toll roads, railways, airports, pipelines or cell towers. Investors gain access to the same predictable cash flows, often secured by regulation or contract, as in the private market, but with daily tradability instead of years of capital lock-up. In a portfolio, this acts as an anchor of stability with low dependence on the economic cycle and a degree of inflation protection through regulated or indexed prices. Liquidity also makes it possible to exploit exaggerations and slumps in a contrarian manner. In the following, we assess what is structurally sound, what is merely the spirit of the times and where the limits of stability lie.

Where the Line Is Drawn

What matters for classification is not the sector, but a company's cash flow profile: predictable, often secured

by regulation or contract, and largely independent of the economic cycle. The performance of such companies is, apart from exceptional phases such as the coronavirus pandemic or sharp interest rate shocks, deliberately unspectacular. That is precisely their real benefit in a portfolio: an anchor of stability, not a return driver.

This clear definition is increasingly becoming blurred. The label "infrastructure" is applied more and more often to business models that have little in common with the classic profile. The most prominent example is data centers. Their growth logic is understandable, but contract terms, tenant creditworthiness and technological risk differ fundamentally from regulated networks or long-term concessions. For smaller colocation providers, which rent out space for servers including power and cooling to companies, leases often run for only one to three years. There, a data center is at its core closer to a commercial property with a power connection than to a grid operator. For hyperscalers, the large cloud providers such as Amazon, Microsoft or Alphabet, contracts are longer, but the risk shifts: A few tenants determine the value, and the technology ages faster than the contract. We therefore deliberately classify such exposures as satellite investments, not as part of the foundation.

Why Now? The Need Is Real, the Timetable Is Not

The investment need is real and enormous: According to a study by the IMK, Germany's power grid alone requires capital of around 650 billion euros by 2045, more than twice today's annual investment. The Draghi report puts

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the EU's additional investment need at 750 to 800 billion euros per year, of which around 300 billion for the energy system. Electrification, data centers, electric mobility and heat pumps are meeting a power grid that is in need of modernization across large parts of Europe and the United States. The bottleneck is increasingly not capital, but speed of implementation and permitting processes.

When Germany's infrastructure special fund was announced, European infrastructure stocks rose noticeably in the equity markets. Part of that euphoria has since evaporated, because it became clear: In Europe, an eternity lies between a political decision and its implementation. In China, a bridge is replaced within a few days, while here even the permitting procedure takes years. This does not change the structural need, but it calls for realistic short-term return expectations.

Why True Infrastructure Belongs in the Foundation

Classic infrastructure belongs in the foundation of the portfolio as a core investment. Those who invested for the long term in regulated networks and toll roads generally did not achieve spectacular returns, but stable income and predictable distributions, usually without large fluctuations. That is exactly the combination for which one adds infrastructure to a portfolio.

In this context, the individual business model matters more than the segment. Pipelines are largely stable when they rest on long-term take-or-pay contracts with fixed offtake obligations; without them, their sensitivity to demand fluctuations quickly rises. In North America, they generated attractive distributions for years, but at times suffered from regulatory and ESG pressure. Cell towers have developed from an inconspicuous cash flow asset into a growth segment, with higher valuations and markedly higher interest rate sensitivity, as became visible in 2022. For toll roads, airports and seaports, a great deal depends on traffic volumes. These differences are not visible when looking at the segment, but only when looking at the company.

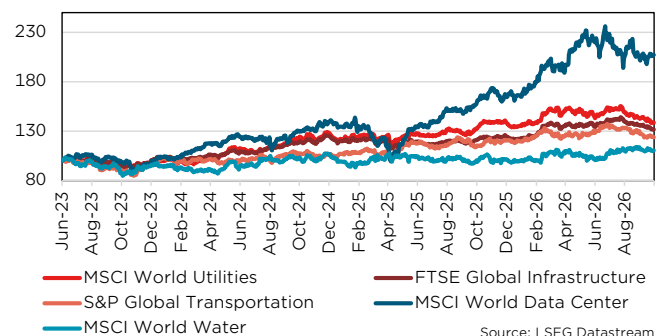
Structurally, we are most convinced by European power grids and regulated utilities: The investment need arising from electrification and grid expansion is real, and regulatory requirements have increased. Water supply also receives too little attention in the debate: The networks are

outdated in many places, and regulation enables reliable returns. Not very exciting, but that is exactly the point. We are cautious on gas networks, whose long-term demand remains unclear in the course of decarbonization.

Data Centers: Appealing, but a Satellite

Data centers are the most recent chapter in infrastructure. Their short-term performance was very strong, but proof that this will become a stable infrastructure profile is still outstanding. This attracts capital, and so the theme appears in more and more infrastructure funds, not only because the story sounds good, but because performance has been so strong recently. The growth is real, but it comes with a different risk profile: The fluctuations are considerably larger. For example, the MSCI Data Center Index rose by around 40 percent in euro terms from January to the end of June 2026 and then gave back around ten percent. Because of the growth outlook, we find the theme appealing, but only as a satellite in the portfolio, not as the foundation.

Infrastructure Is Not Just Infrastructure



Stable Does Not Mean Price-Stable

The operating business of classic infrastructure is robust. Regulated networks, water supply or district heating barely notice recessions: Demand is largely inelastic, and revenues are regulated. It becomes more difficult for segments that are marketed as infrastructure but have volumes that are sensitive to the economic cycle. For toll roads, the decline is moderate, but it is there. Airports and ports react more strongly, because travel and trade volumes fall noticeably. Covid was an extreme case, but it showed where the limits of resilience to the economic cycle lie. And the share price is not automatically decoupled from all of this. That is the difference between operational stability and price stability.

The rise in interest rates from 2022 made this clear. Many investors were surprised by how much pressure listed infrastructure came under. There are two causes, which must be distinguished. First, valuation: Long-term, predictable income becomes worth less when interest rates rise, regardless of the operating business, and the longer the income runs, the stronger the effect. That is why cell tower operators and regulated utilities suffered particularly in 2022. Second, the balance sheet: Many infrastructure companies carry substantial debt. In a low interest rate environment this was not a problem, but it became relevant as soon as loans had to be refinanced at significantly higher rates. Those with short-term debt came under pressure.

Inflation protection is one of the central selling points of the asset class. This is true, but with limitations that are often not clearly communicated. When interest rates rise because prices rise, many companies can raise their prices, which is the natural offset. It is most effective where indexation is explicitly anchored in contracts or regulation. Where regulators have to approve adjustments, it often takes an entire regulatory cycle. During that time, costs rise while revenues do not, and this weighs on margins, even if the business model remains intact in the long term. And regulation can also cap returns, as the British water sector shows.

Those who dislike price fluctuations and can tolerate illiquidity should rather invest in private than in listed infrastructure. There, however, they must accept other risks, such as limited tradability and less frequent valuations. This is not a criticism of the asset class, but a characteristic that one must be clear about from the outset. If

the broad market slumps, listed infrastructure falls with it, more or less depending on the segment. A fund with a high share of data centers falls along with it when growth expectations in the technology sector are disappointed. A toll road operator may come under less pressure, but it too cannot fully decouple. The flip side is a real advantage: Because the market delivers a price every day, even when it is overshooting, such moments can be exploited. When Covid sent airport share prices plunging, the long-term demand for air travel was called into question only briefly. Those who entered at that point on a contrarian basis could benefit, albeit with considerable uncertainty about the pace of recovery and debt levels. In the private market, this option is not available.

Conclusion

Infrastructure does not need an AI or energy transition story to be convincing. Its value lies in the foundation of the portfolio: predictable cash flows, low dependence on the economic cycle, a degree of inflation protection. That is less spectacular than the headlines, but it is exactly why one adds infrastructure to a portfolio. Data centers and other growth themes can be appealing as a satellite, but they do not replace the foundation. And anyone investing in listed infrastructure should know that stable cash flows do not yet mean stable prices. For investors, this means: What matters is what lies beneath the label. Infrastructure is allowed to be boring, a look under the hood is not..

Dr. Rebekka Haller

Market data

	As of 02.10.2026 11:12	Change versus 25.09.2026 -1 week	01.09.2026 -1 month	01.07.2026 -3 months	01.10.2025 -1 year	31.12.2025 YTD
Stock markets (in local currency)						
S&P 500	7759	0,2%	1,7%	3,7%	15,6%	13,3%
Nasdaq	26872	-0,7%	3,0%	3,2%	18,1%	15,6%
DAX	25213	-0,8%	-2,9%	0,7%	4,6%	2,9%
MDAX	30607	-1,4%	-4,9%	-4,5%	0,5%	0,0%
TecDAX	4052	1,9%	0,7%	4,2%	10,3%	11,9%
EuroStoxx 50	6250	-0,8%	-1,9%	-0,5%	12,0%	7,9%
Stoxx 50	5315	-0,7%	-1,7%	-1,1%	12,9%	8,1%
SMI (Swiss Market Index)	13743	-1,5%	-4,1%	-2,6%	11,2%	3,6%
Nikkei 225	68309	2,9%	3,2%	-3,1%	53,3%	35,7%
Brasilien BOVESPA	187197	2,0%	4,2%	9,0%	28,6%	16,2%
Indien BSE 30	71910	-2,7%	-6,5%	-6,5%	-11,2%	-15,6%
China CSI 300	4358	-1,8%	-5,5%	-12,1%	-6,1%	-5,9%
MSCI Welt	4894	-1,3%	-0,8%	1,7%	13,2%	10,5%
MSCI Emerging Markets	1709	-1,3%	-1,1%	-0,7%	26,3%	21,7%
Bond markets						
Bund-Future	120,35	86	-273	-684	-824	-722
Bobl-Future	112,99	130	-20	-238	-487	-317
Schatz-Future	105,10	62	-16	-91	-190	-170
3 Monats Euribor	2,62	1	1	31	60	59
3M Euribor Future, Dec 2026	2,89	-12	6	36	88	78
3 Monats \$ Libor	4,17	-7	25	32	16	50
10 year US Treasuries	5,23	8	45	76	115	109
10 year Bunds	3,43	-17	12	55	76	61
10 year JGB	3,09	5	13	41	145	105
10 year Swiss Government	0,54	-11	13	26	26	22
US Treas 10Y Performance	609,07	-0,5%	-3,0%	-4,6%	-4,1%	-4,8%
Bund 10Y Performance	543,68	0,9%	-1,2%	-4,1%	-3,1%	-2,6%
REX Performance Index	449,83	0,0%	-1,2%	-2,9%	-1,8%	-2,0%
IBOXX AA, €	4,23	-6	27	71	112	90
IBOXX BBB, €	4,57	-3	38	83	115	100
Commodities						
MG Base Metal Index	575,46	-2,9%	-1,4%	5,7%	28,4%	11,6%
Crude oil Brent	99,48	-4,6%	5,0%	38,7%	52,2%	63,5%
Gold	4184,75	-2,2%	-4,0%	2,5%	8,2%	-3,2%
Silver	60,87	-5,3%	-5,3%	2,9%	28,6%	-14,6%
Aluminium	3108,06	-4,6%	-5,2%	1,4%	15,7%	4,7%
Copper	14281,54	-3,0%	-0,9%	7,8%	38,1%	14,7%
Iron ore	92,10	-5,1%	-7,3%	-6,4%	-11,5%	-14,0%
Freight rates SPCI	3662	-0,7%	4,4%	13,0%	228,6%	121,1%
Currencies						
EUR/ USD	1,1247	-1,4%	-3,0%	-1,2%	-4,1%	-4,3%
EUR/ GBP	0,8513	-1,1%	-0,6%	-0,8%	-2,1%	-2,5%
EUR/ JPY	177,21	-1,4%	-4,5%	-4,3%	2,7%	-3,7%
EUR/ CHF	0,9318	-1,3%	-0,8%	0,9%	-0,5%	0,0%
USD/ CNY	6,7045	-0,2%	-0,3%	-1,3%	-6,0%	-4,1%
USD/ JPY	158,08	0,5%	-1,3%	-2,8%	7,5%	0,9%
USD/ GBP	0,76	0,3%	2,5%	0,5%	2,2%	1,8%

Source: LSEG Datastream



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