Global Infrastructure Equity

A Defensive Building Block

September 2025

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HSBC Asset Management

Key Risks

There is no assurance that a portfolio will achieve its investment objective or will work under all market conditions. The value of investments may go down as well as up and you may not get back the amount originally invested. Portfolios may be subject to certain additional risks, which should be considered carefully along with their investment objectives and fees.

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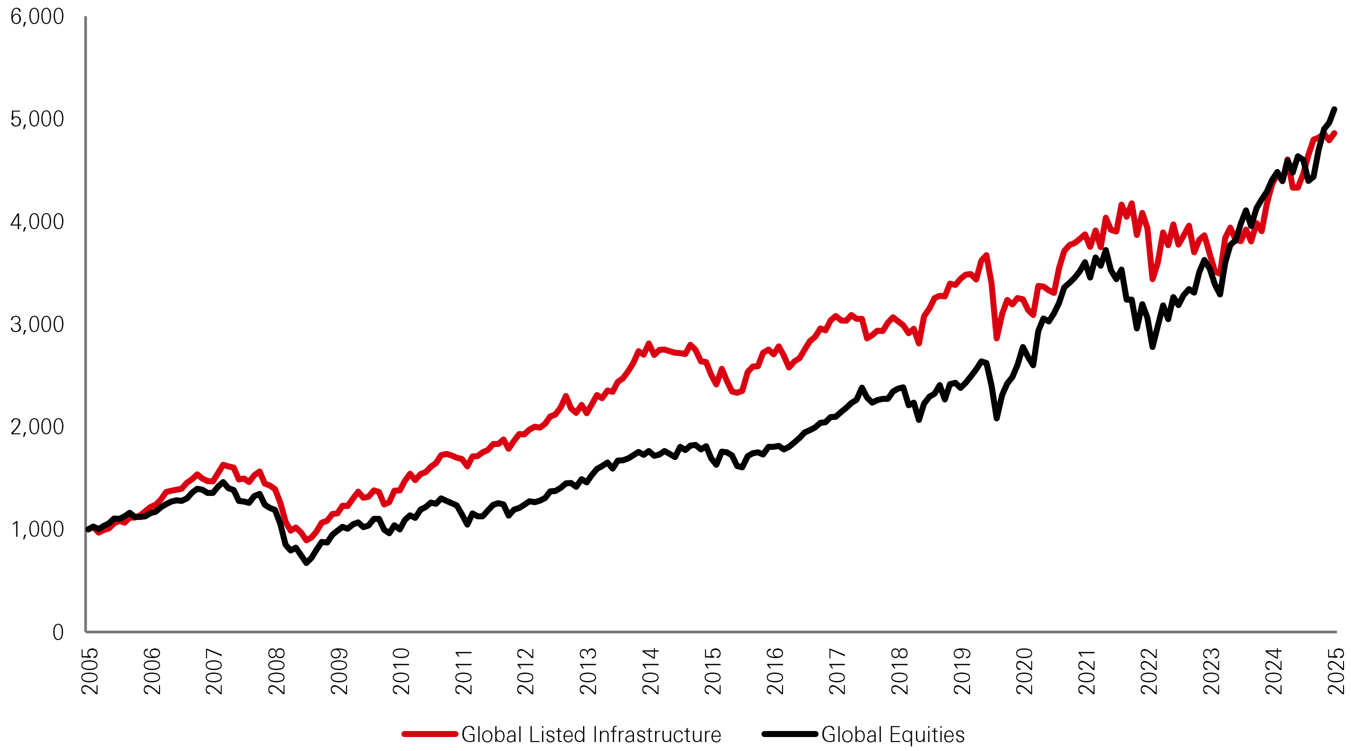
- **Liquidity risk:** Liquidity risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.
- **Operational risk:** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.
- **Style risk:** Different investment styles typically go in and out of favour depending on market conditions and investor sentiment.
- **Model risk:** Model risk occurs when a financial model used in the portfolio management or valuation processes does not perform the tasks or capture the risks it was designed to. It is considered a subset of operational risk, as model risk mostly affects the portfolio that uses the model.
- **Sustainability Risk:** Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Global Listed Infrastructure on the defense

Global listed infrastructure (GLI) as a bespoke asset class has seen significant growth over the past decade with funds under management almost tripling[1]. We have seen investors allocating to GLI for different reasons such as gaining a defensive building block in equities; for its attractive income potential; and as a liquid exposure to direct infrastructure. In the paper, we will examine why adding GLI could potentially improve the reliance of your investment portfolio, particularly during times of heightened volatility.

Over the last 20 years, GLI and Global Equities (GE) have delivered similar returns, with GLI returning 8.2% (p.a.) and GE delivering 8.4% (p.a.)[2]. However, as seen in the following chart, the two asset classes had different journeys getting there. The volatility for GLI exhibited was lower with an annualised standard deviation of 14.1% whilst GE was at 15.6% during this period.[2]

Chart 1: Global Listed Infrastructure has delivered similar returns to Global Equities with lower volatility[2]
(Index 2005=1000)



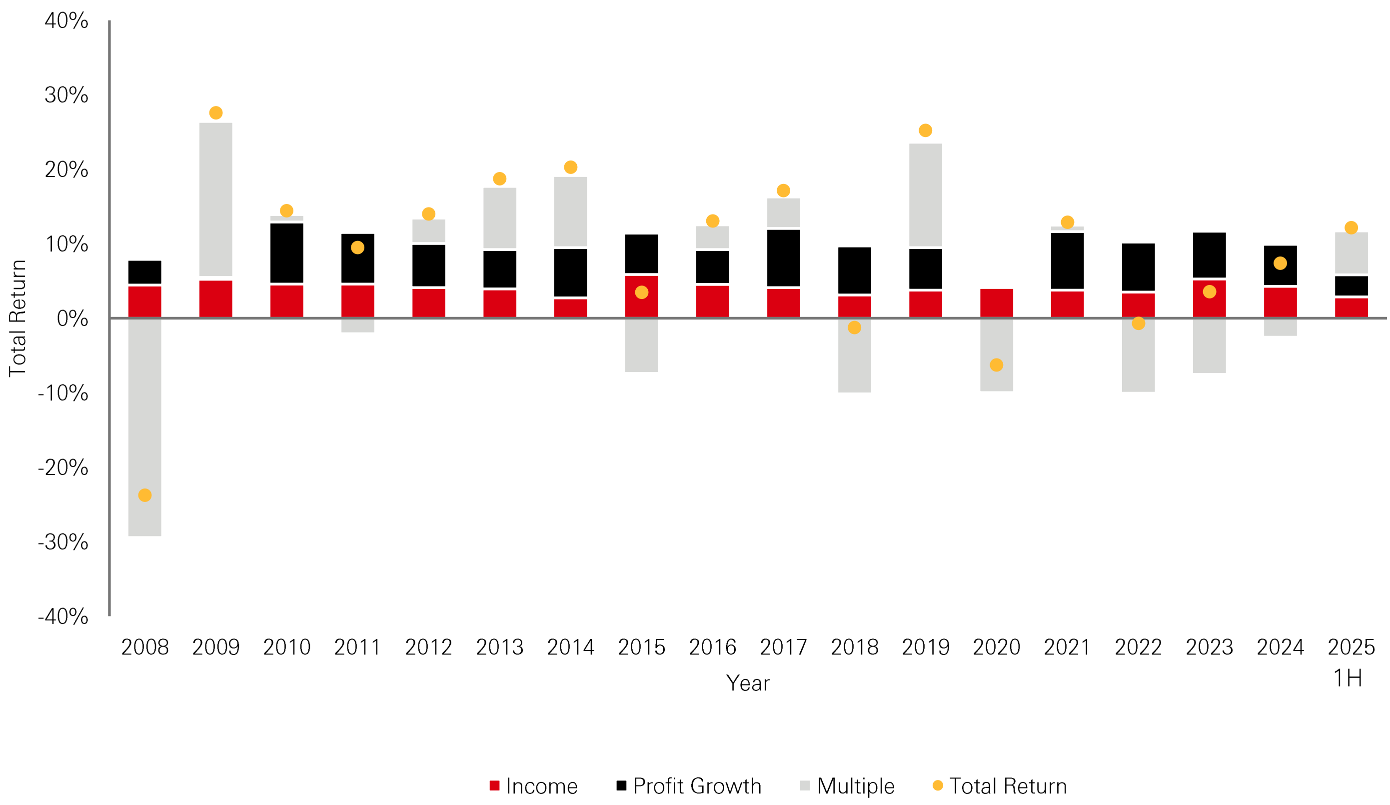
[1] Source: GLIO, September 2025

[2] Source: Bloomberg as of 31 August 2025. Rebased to 2005 levels. Global Listed Infrastructure is represented by the Dow Jones Brookfield Global Infrastructure Index; Global Equities is represented by MSCI World Index Figures in USD. **Past performance does not predict future returns.**

Infrastructure's resilient cashflows supports its defensive characteristics

Let's explore why this would be the case. Firstly, GLI refers to publicly traded companies which own and/or operate infrastructure assets worldwide. Infrastructure assets encompass public and private physical structures and facilities which are essential for the stability and growth of any economy as they provide valuable services to society. Due to their critical nature, infrastructure can generate transparent and resilient cash flow as they are usually supported by long-term contracts or regulation. This is exhibited below in the return breakdown of the asset class where GLI has consistently delivered cashflow growth.

Chart 2: Total return breakdown by calendar year[3]

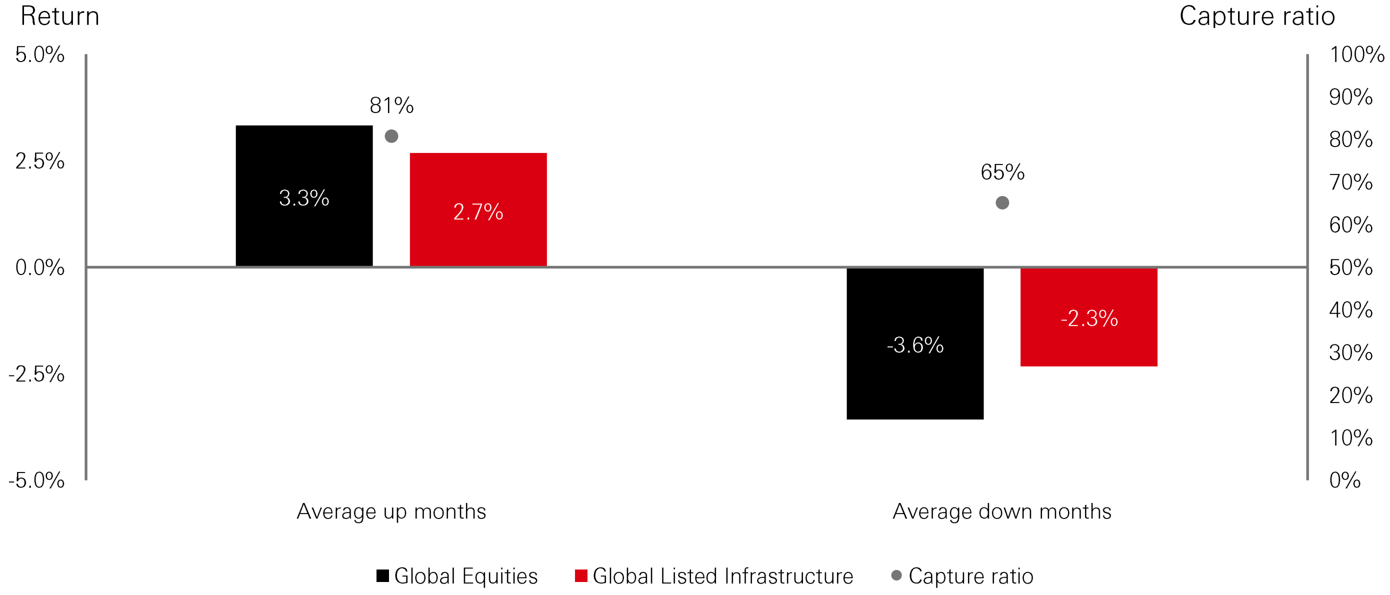


GLI can provide investors with downside protection

The resilience of infrastructure cashflows supports the defensive characteristics of the asset class. We can see this in the performance of the asset class in the market as GLI has demonstrated an attractive upside / downside capture. As seen in the chart below, when there was an uplift in the broader equities market, GLI only participated in 81% of the rise on average. On the other hand, GLI only captured 65% of the downside historically. This favourable skew during period of downturns shows that GLI can provide downside protection for investors.

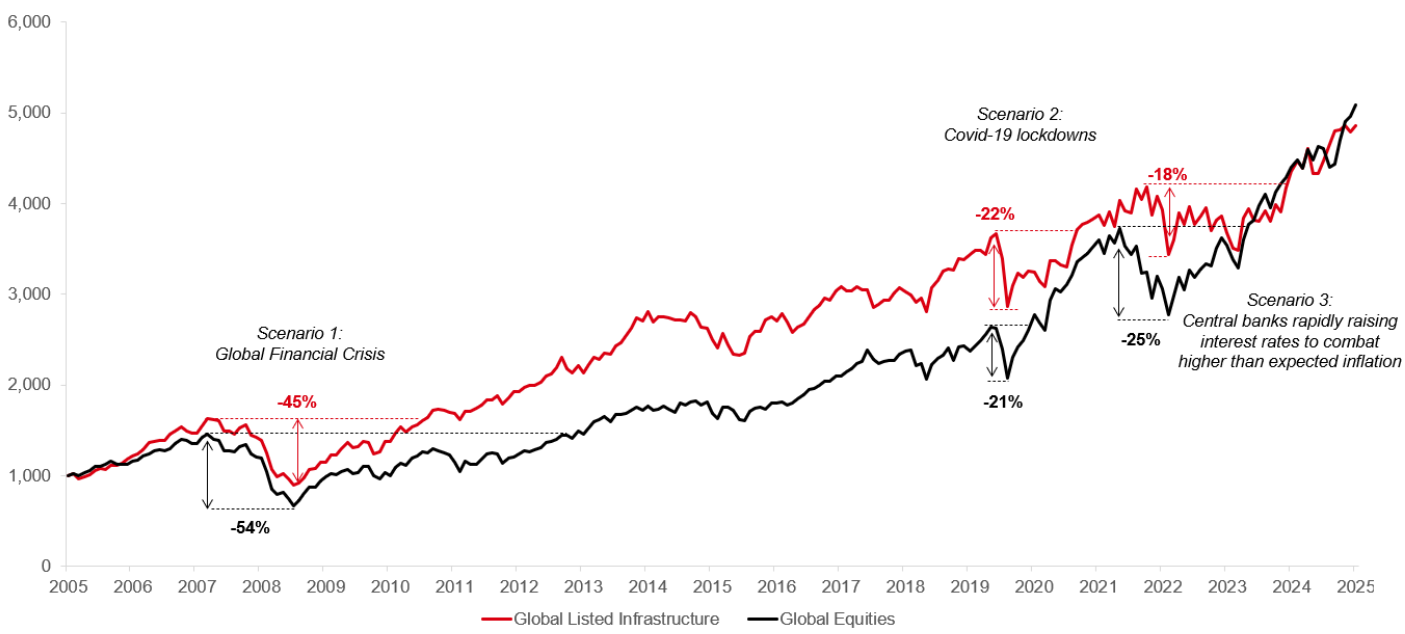
[3] Source: HSBC AM, Bloomberg. Data from December 2007 to June 2025. Charts represent the HSBC Global Listed Infrastructure Equity Team's core investment universe. The bars in the charts represent an arithmetic sum whilst the total return is calculated using a geometric sum. Past performance does not predict future returns.

Chart 3: Upside vs. downside market capture[4]



Let's dig deeper into this notion of downside protection with real cases. Over the past two decades global equities has experienced a peak-to-trough decline of over 20% during three periods: (1) Global Financial Crisis (GFC) in 2008, (2) COVID-19 lockdowns in 2020, and more recently (3) when global central banks rapidly raised interest rates to combat higher than expected inflation in 2022.

Chart 4: Market drawdowns of over 20% in the past 20 years[5]
(Index 2005=1000)



[4] Source: HSBC AM. Global Listed Infrastructure is represented by the Dow Jones Brookfield Global Infrastructure Index; Global Equities is represented by MSCI World Index; Data period: 31/12/2002 – 31/8/2025. Figures expressed in USD

[5] Source: Bloomberg as of 31 August 2025. Rebased to 2005 levels. Global Listed Infrastructure is represented by the Dow Jones Brookfield Global Infrastructure Index; Global Equities is represented by MSCI World Index Figures in USD

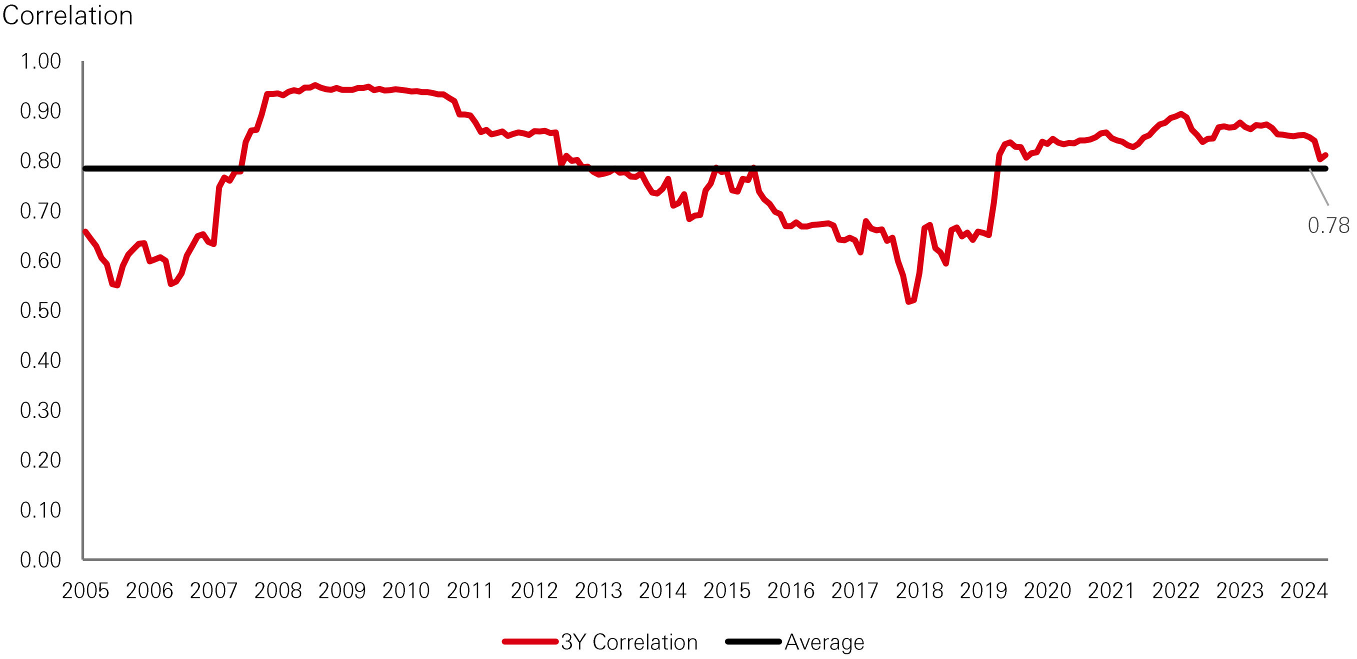
Peak-to-trough decline	GE	GLI	Difference
2008: GFC	-54.0%	-45.2%	-8.8%
2020: COVID-19	-21.1%	-22.1%	1.0%
2022: Inflation	-25.4%	-22.1%	-3.3%

During two of the three extreme market drawdowns, GLI demonstrated its defensive qualities and provided shelter for investors. Particularly during the GFC, when the market fell 54% and took 68 months to return to its previous peak, GLI only fell 45% and recovered within 40 months, a substantially shorter period. Similarly, in 2022, we saw GLI outperform by 3% when inflation rose, resulting in an increase of interest rates globally. On the other hand, we did see GLI underperform GE by 1% during COVID-19, as lockdown significantly impacted the movement of people and transportation.

GLI can diversify investors global equities exposure

Finally, GLI's lower correlation to GE is supportive for investors allocating from this bucket. Chart 5 shows that on average the rolling 3-year correlation between GLI and GE has been 0.78. This validates the view that GLI can provide diversification benefits to a global equities portfolio.

Chart 5: 3 Year Rolling Correlation[6]



In summary, GLI's defensive characteristics can play an important role in well-diversified portfolio. The asset class is supported by resilient cashflow through market cycles and provides investors with an appealing downside protection alongside with a lower correlation to global equities.

[6] Source: HSBC AM. Global Listed Infrastructure is represented by the Dow Jones Brookfield Global Infrastructure Index; Global Equities is represented by MSCI World Index; Data period: 31/12/2005 – 31/8/2025

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