

Global Infrastructure Equity

Listed infrastructure equity is playing an increasingly more important role in a diversified equities' portfolio

November 2025

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HSBC Asset Management

Key Risks

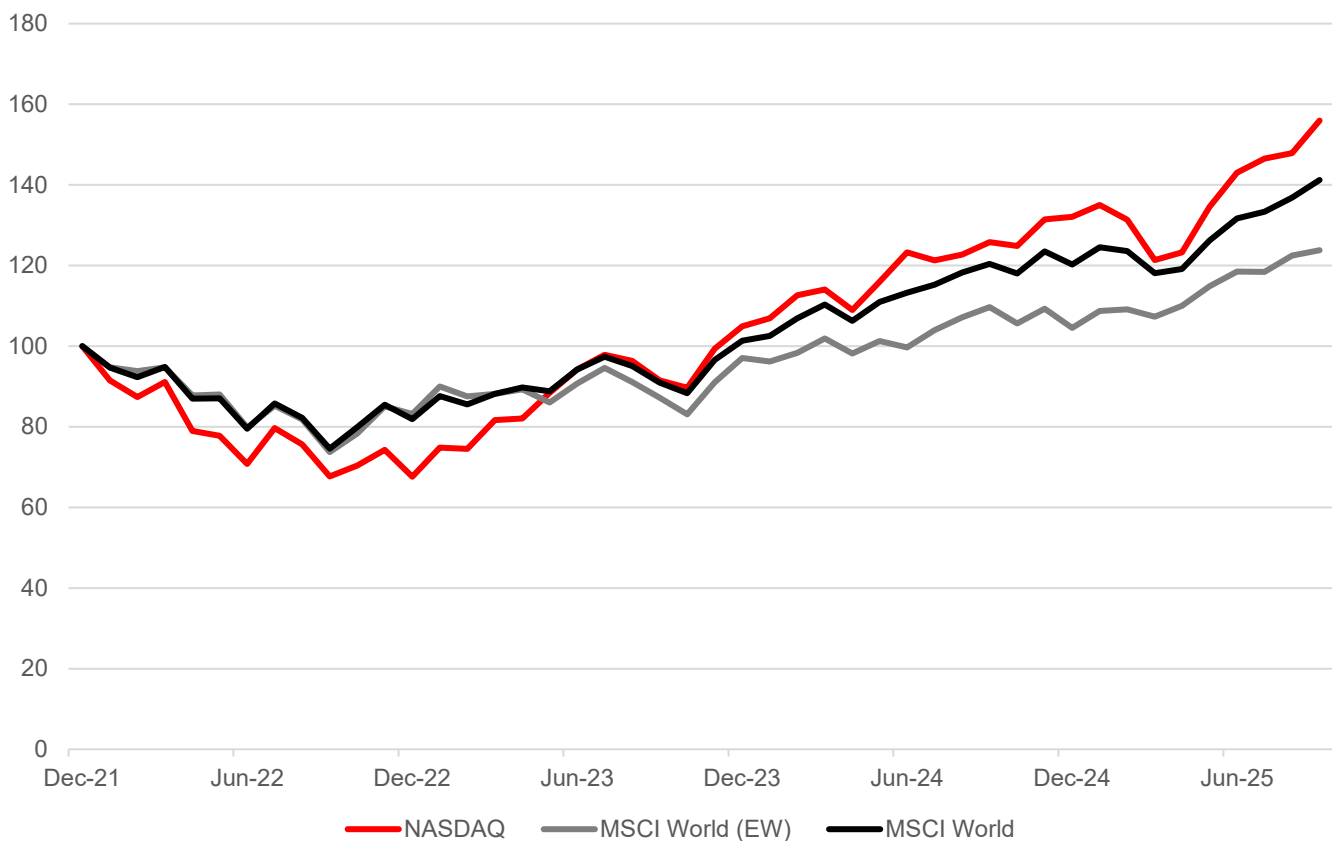
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- ◆ **Alternatives Risk:** There are additional risks associated with specific alternative investments within the portfolios; these investments may be less readily realisable than others and it may therefore be difficult to sell in a timely manner at a reasonable price or to obtain reliable information about their value; there may also be greater potential for significant price movements.
- ◆ **Equity risk:** Portfolios that invest in securities listed on a stock exchange or market could be affected by general changes in the stock market. The value of investments can go down as well as up due to equity markets movements.
- ◆ **Interest rate risk:** As interest rates rise debt securities will fall in value. The value of debt is inversely proportional to interest rate movements.
- ◆ **Counterparty risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.
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- ◆ **Emerging markets risk:** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- ◆ **Exchange rate risk:** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.
- ◆ **Investment leverage risk:** Investment leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source.
- ◆ **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.
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- ◆ **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.

The surge of tech has changed the equities landscape

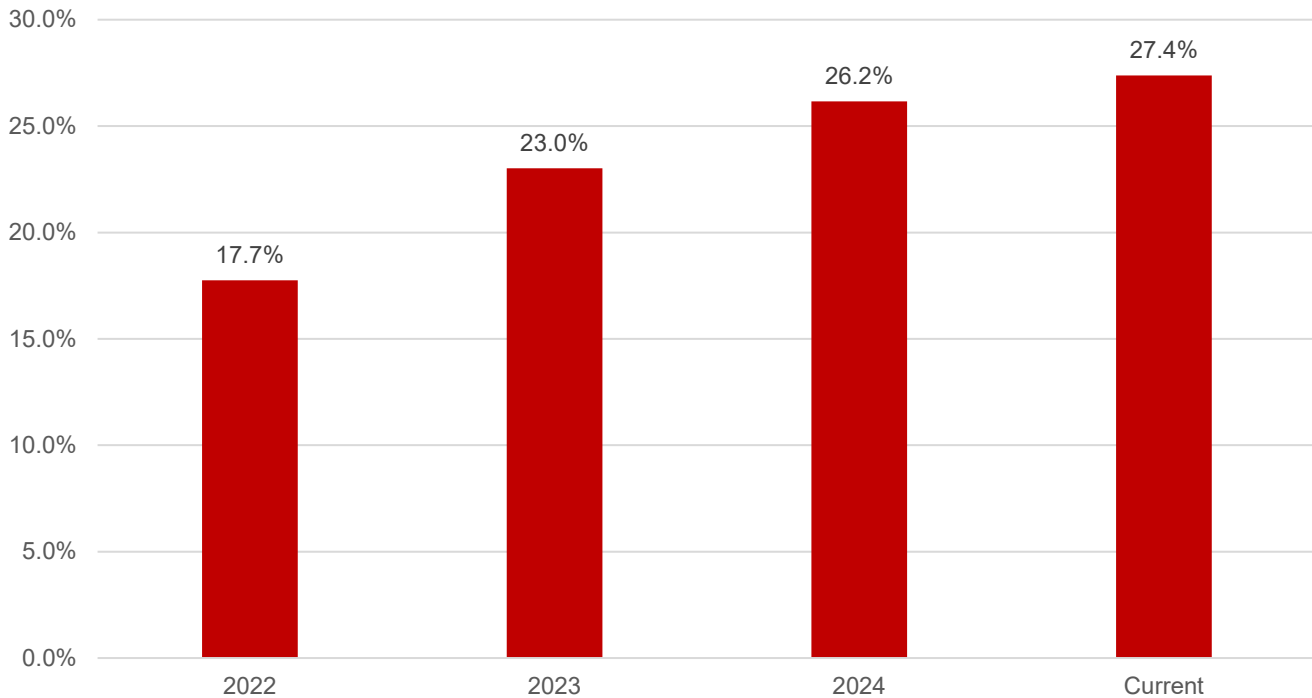
In recent years, we have seen the tech companies and global equities go from strength to strength. The outperformance of the tech sector has not only driven significant growth in global equity markets but has also elevated its influence within the MSCI World Index. As seen in the chart below, the strength of the tech sector has driven a divergence between the equally weighted and, the more commonly used, market cap-weighted versions of the MSCI World Index.

Chart 1: Cumulative performance comparison between NASDAQ and MSCI World Indices



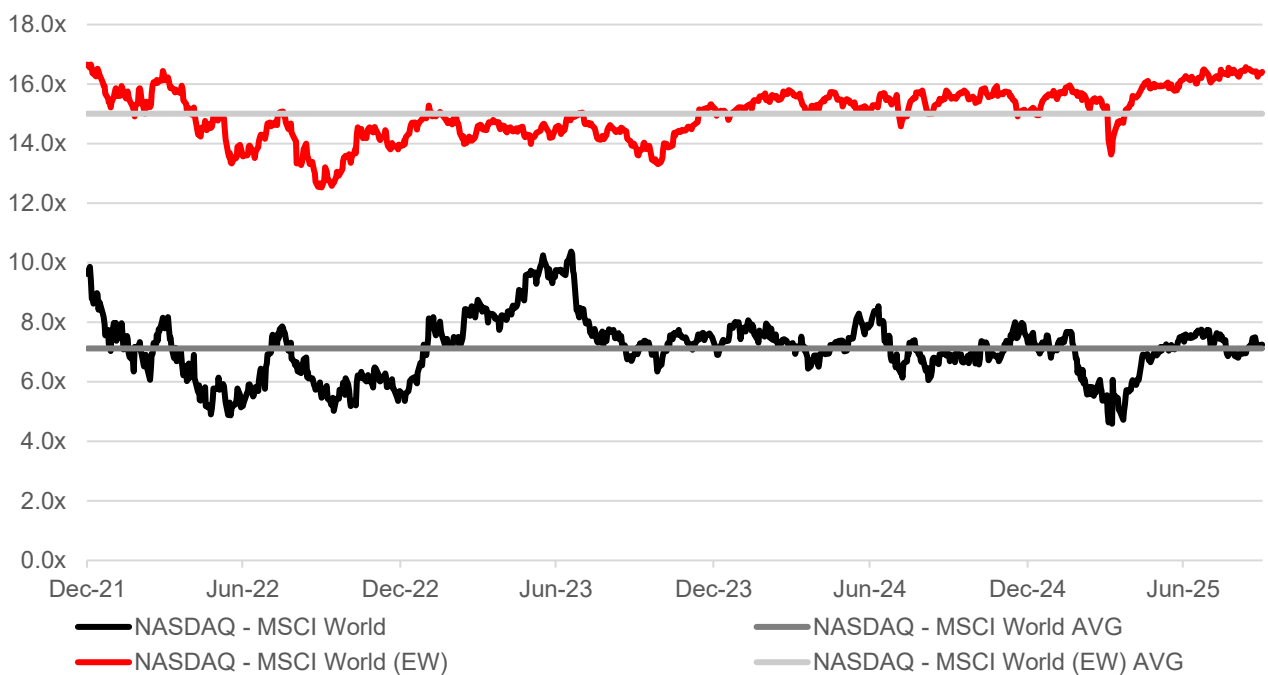
The technology sector's rally has significantly increased its weighting in the MSCI World Index, driving global equities markets to new highs. This surge has led to a divergence between the equally weighted and market cap-weighted versions of the MSCI World Index. Since 2022, the sector weight in MSCI World Index has increased from 18% to now over 27%. That growth is over 50%!

Chart 2: MSCI World's exposure to Tech



However, the exceptional growth in both tech and broader equities has also sparked investor concerns regarding valuations. We can see in the chart below, the equally weighted MSCI World Index reveals its Price-to-Earnings (P/E) spread vs the Tech sector is currently trading near the top of its 3-year range. This dispersion is masked in the market cap weighted version of the index due to the large weight of the Tech sector.

Chart 3: NTM P/E ratio spread comparison



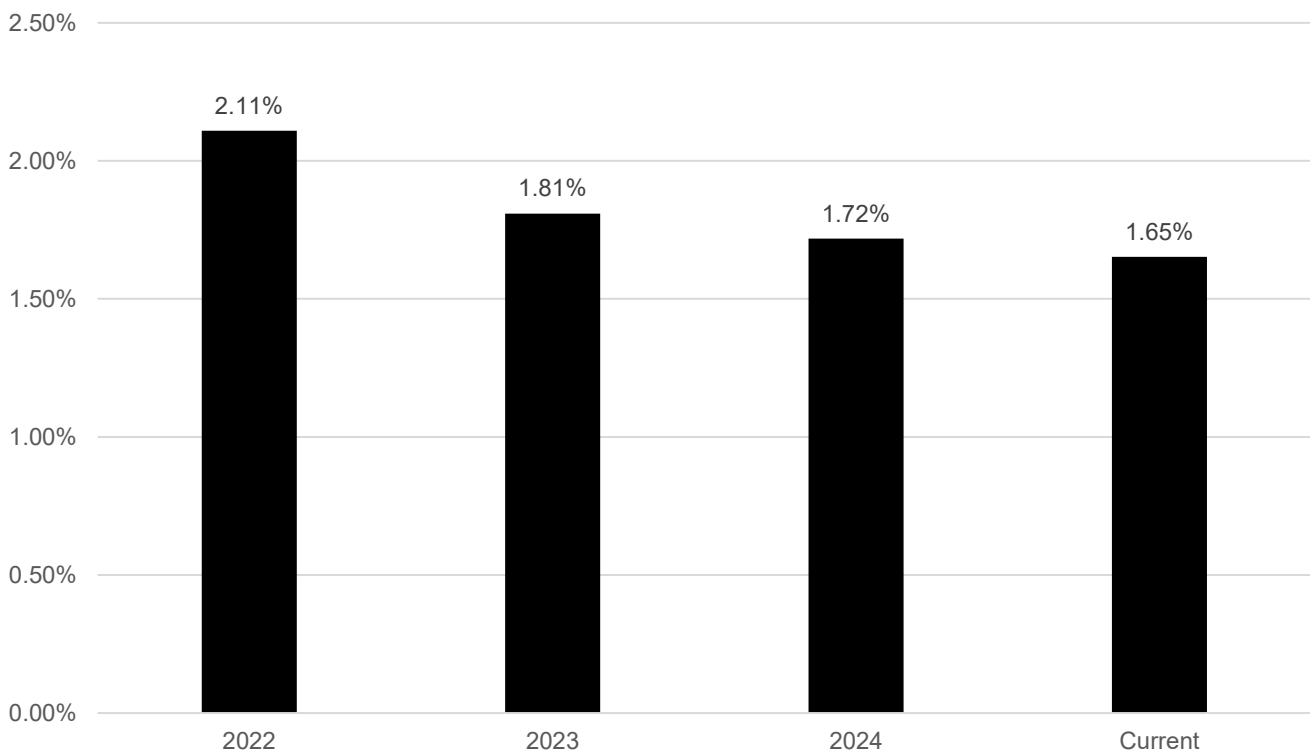
Source: HSBC Asset Management, Bloomberg as of 30 September 2025. **Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. The views expressed above were held at the time of preparation and are subject to change without notice.**

It is understandable why investors have been wary of the current levels the tech sector has been trading at and questioning whether this is sustainable in the long term. This sentiment is also echoed in the broader global equities market, where current valuations have prompted investors to be concerned about potential corrections. Amidst this uncertainty, we believe that listed infrastructure equity is now playing an increasingly more important role in a diversified equities' portfolio.

Diversification benefits of listed infrastructure equities have become even stronger

Unlike tech, there is no GICS sector classification for infrastructure. As such, it might be hard for investors to quantify how much exposure they currently have through their global equities' allocation. Historically, intersection between the Dow Jones Brookfield Global Infrastructure Index (DJBGI Index) and MSCI World Index has been limited – slightly above 2%. Over the past 3 years, this small overlap has decreased further to 1.65%. As the allocation to tech in the MSCI World Index has increased, we have seen the overlap with infrastructure going in the opposite direction, bolstering listed infrastructure equities' ability to diversify investor's existing equities portfolio.

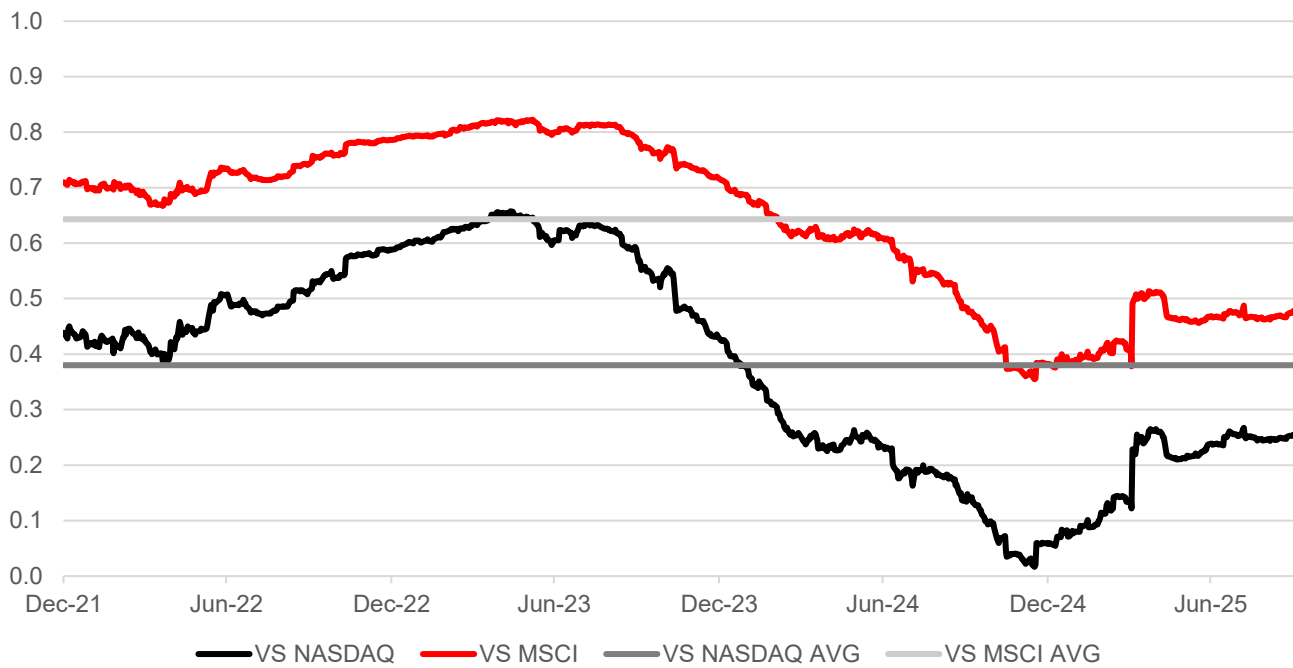
Chart 4: Overlap between MSCI World and DJBGI Index



Additionally, listed infrastructure equities' lower correlation with both the tech sector and the broader market underscores its ability to enhance portfolio diversification. One of the key observations from the below correlation analysis is the declining correlation between listed infrastructure equities and the MSCI index over the past three years.

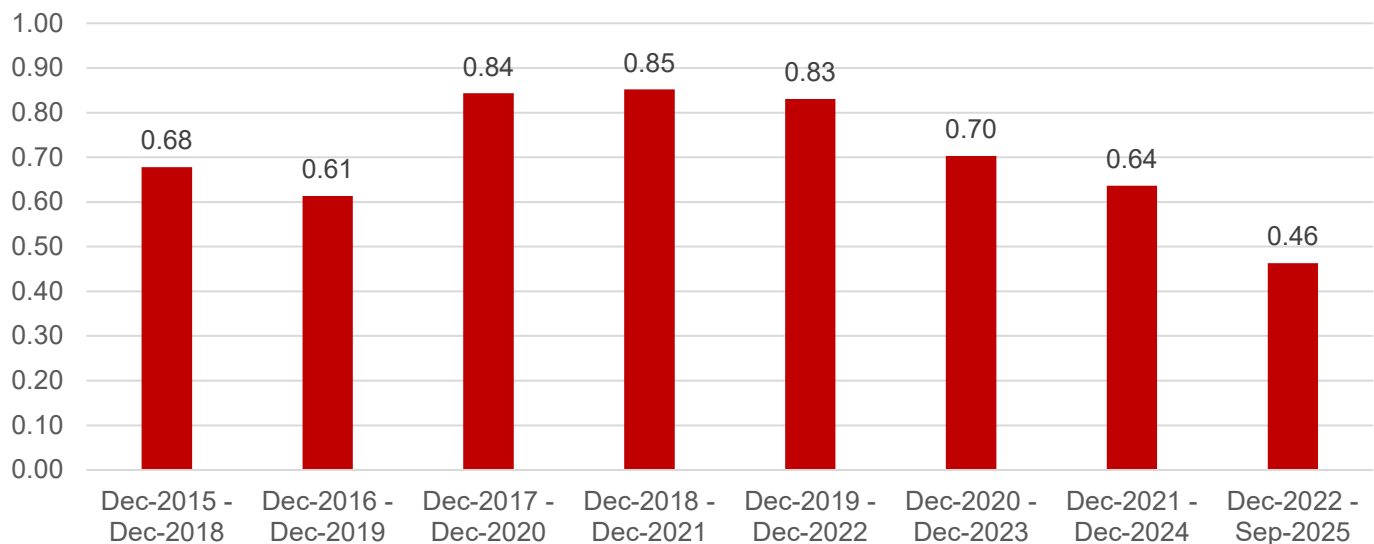
Chart 5: Rolling 12-month correlation comparison

Source: HSBC Asset Management, Bloomberg as of 30 September 2025. **Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. The views expressed above were held at the time of preparation and are subject to change without notice.**



Digging deeper on the correlation between the two asset classes, we also looked closer at global infrastructure equities' components of the MSCI World Index. The correlation of the infrastructure subset of the MSCI World and the broader index has also moved lower in the last three years. This trend suggests that the ability for listed infrastructure equities to provide diversification benefits to investors has notably strengthened over the recent years.

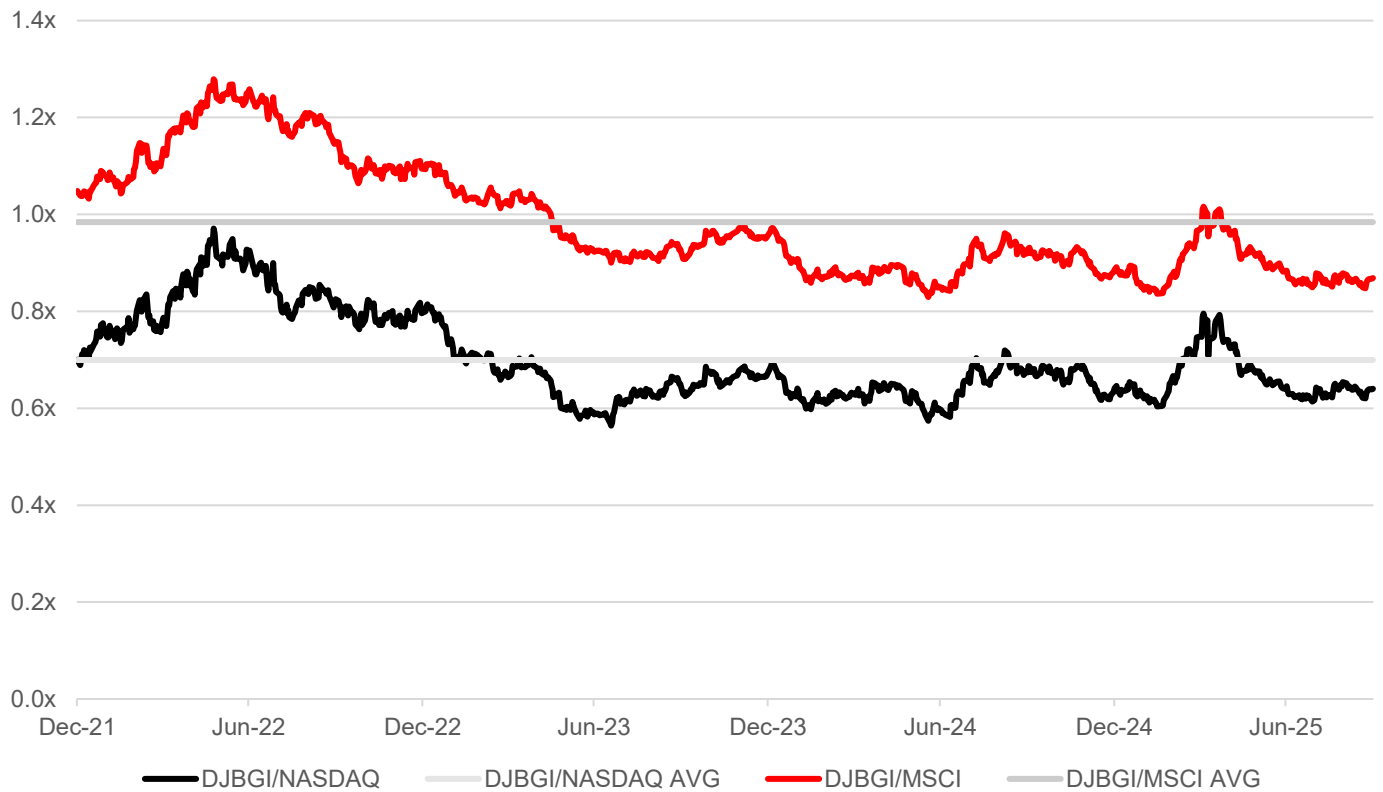
Chart 6: 3Y correlation analysis between global infrastructure equities' components of the MSCI World Index and the MSCI World Index



Furthermore, the current valuation levels present a compelling case for infrastructure equities, particularly compared to their tech counterparts and the broader market. If we look at the relative P/E ratios, they are currently trading near the bottom of the 3-year range for both the tech sector and global equities.

Chart 7: Infrastructure NTM P/E ratio comparison between NASDAQ and MSCI

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Conclusion

In the ever-evolving landscape of global equity markets, infrastructure equities are a potentially compelling option for investors seeking diversification and value. With their declining correlation to the tech-heavy global equities indices and attractive valuations, listed infrastructure equities are poised to play an increasingly important role in diversified equities portfolio, in our view. By strategically allocating to infrastructure equities, investors can achieve a more balanced and resilient portfolio.

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