Brookfield

Real Assets Quarterly

PUBLIC SECURITIES GROUP

Q3 2025

Key Takeaways

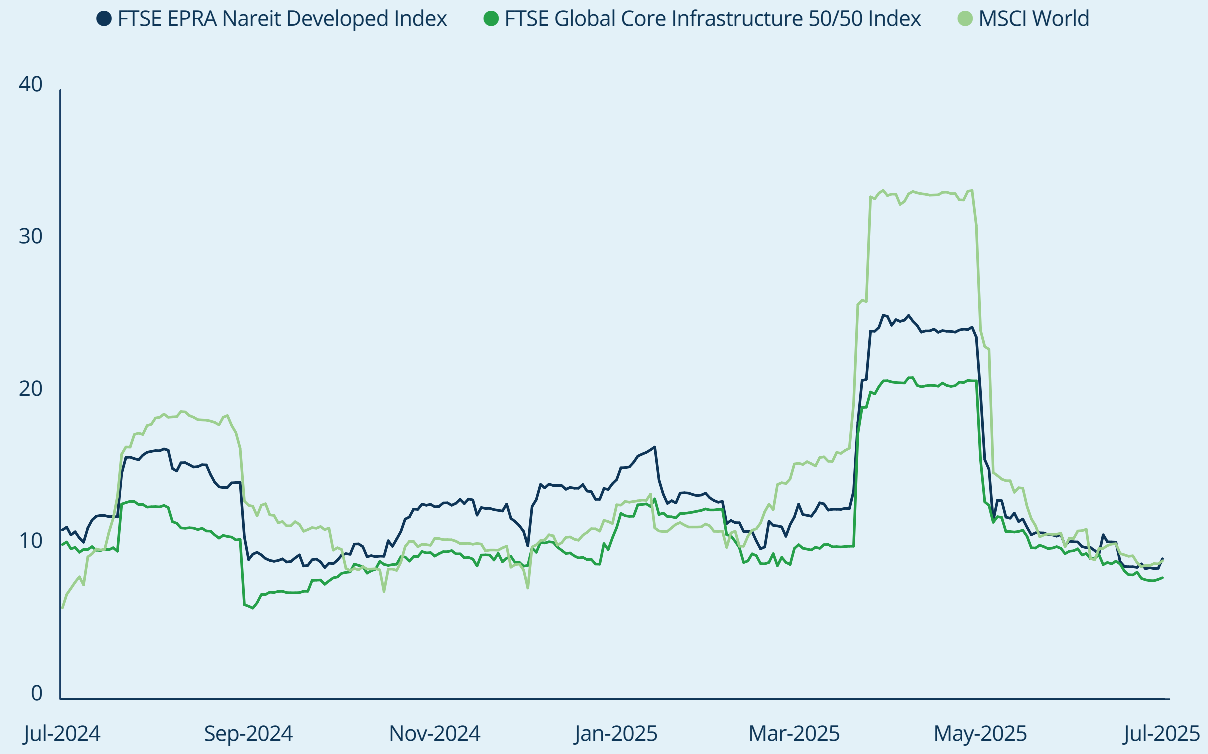
- As tariff-induced uncertainty contributed to a volatile start to the quarter, listed real assets illustrated the role they can play in portfolios—exhibiting far less volatility than broad market counterparts.
- Given the current backdrop of uncertain government policy, heightened geopolitical tensions and inflation risks, we see real assets as particularly well-positioned and attractive relative to broader market exposures.
- New this issue: We take a closer look at investment opportunities and key considerations for infrastructure equities, real estate equities, real asset debt and multi-asset solutions.

Observations Across Listed Real Assets

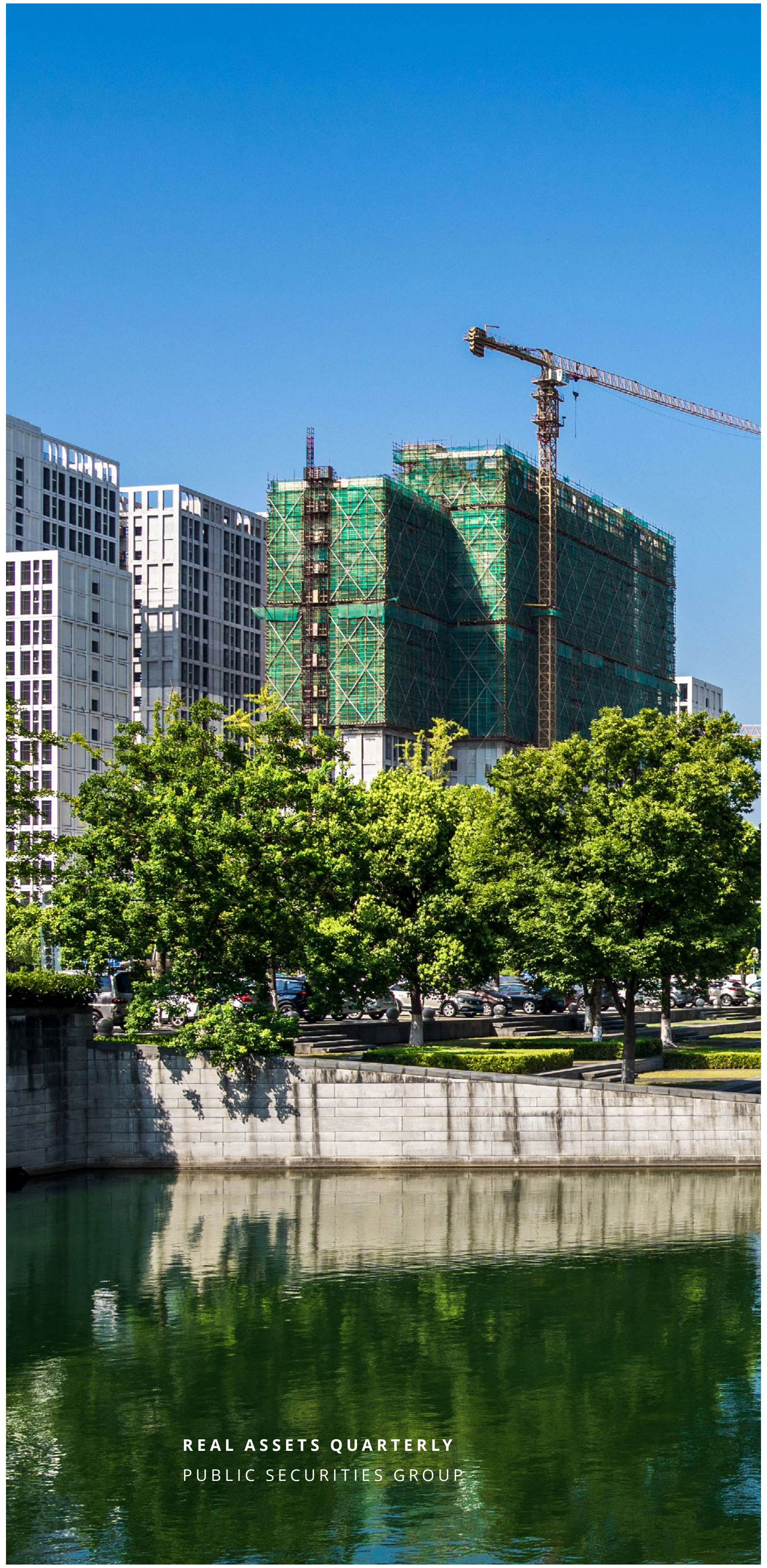
U.S. tariff announcements on April 2nd ushered in a period of heightened volatility, resulting in an initial steep decline in equities, as well as wider credit spreads. Equity and bond markets subsequently rebounded amid a tariff pause, better-than-expected inflation readings, and a signal from U.S. Federal Reserve officials for potential rate cuts in 2025. Following the volatile start to the quarter, both equity and bond markets managed to generate positive returns.

The performance of real asset equities compared to their broad market counterparts during the first half of 2025 illustrates the role real assets can play in a portfolio. As shown in the graph to the right, listed real assets exhibited far less volatility than broad market counterparts during the peak of the tariff-induced uncertainty (**Exhibit 1**). With uncertainty creeping back into the market following the risk-on rally, we highlight these characteristics as allocators consider downside protection in a fast-changing market.

Exhibit 1. Rolling 30-Day Volatility; Global Equities, Infrastructure, and Real Estate



As of July 2025. Source: Bloomberg. **Past performance is not indicative of future results.** Volatility and returns may differ in the future due to changing market conditions. The data shown reflects historical index performance and does not represent actual investment results.

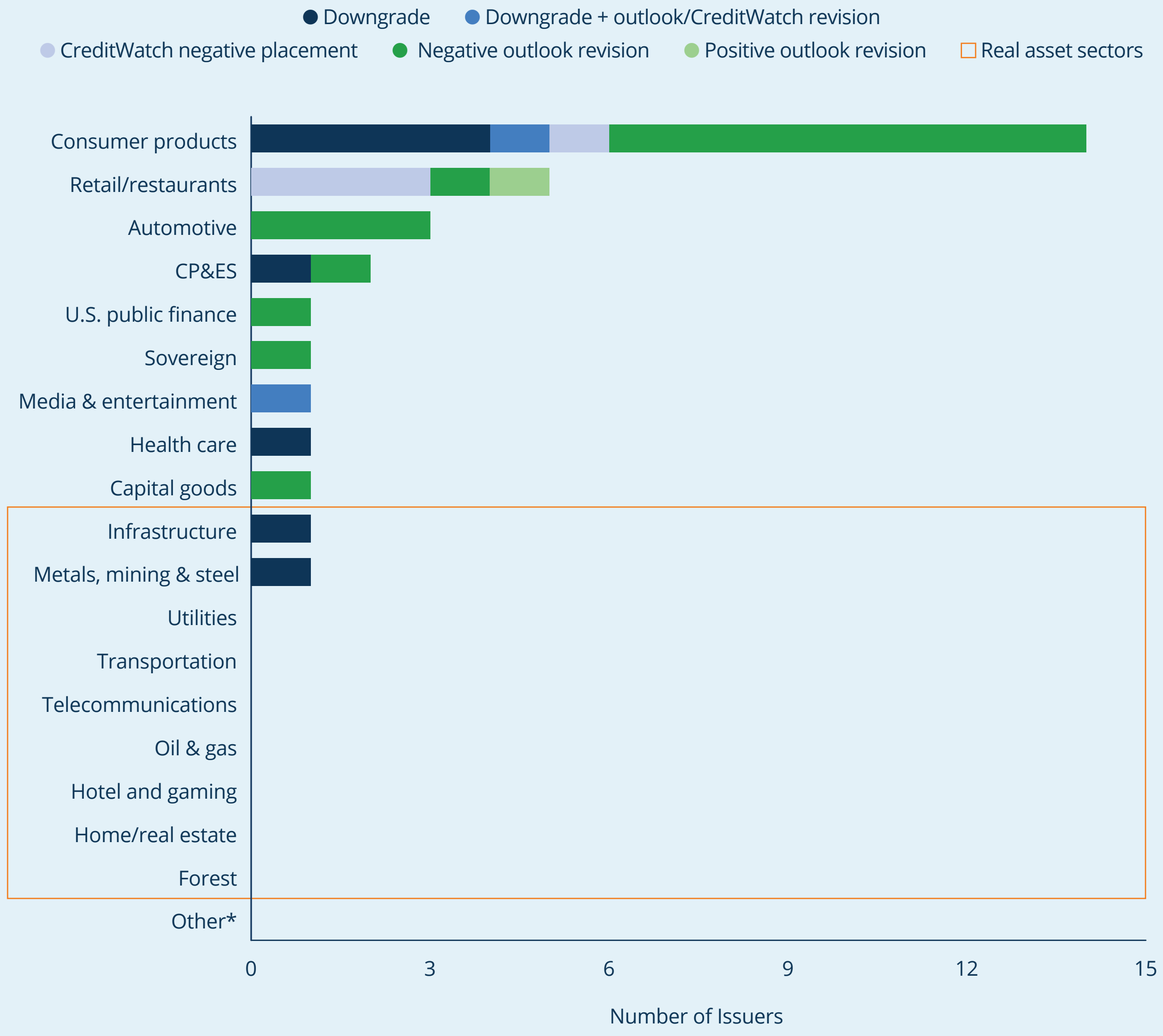


On the debt side, we observe strong fundamentals from issuers in high-yield credit, as interest coverage remains healthy and defaults remain near historical averages. On the other hand, it's becoming clear, in our view, that lower-rated issuers are more susceptible to negative impacts from tariffs. For instance, according to S&P Global, there have been 14 B-rated negative rating actions where tariff risk was the primary driver, while there were just three within BBB-rated debt[1]. Lower-quality issuers tend to have relatively low profit margins and therefore are less likely to be able to absorb tariff-related cost pressures. Furthermore, we believe that current valuations do not adequately support credit-loss risk within lower-credit quality segments, even under optimistic default rates. Therefore, we believe it's prudent to favor higher-quality segments (BB and select BBB), while remaining underweight in single B and very selective within CCC credits.

We believe credits in real-asset sectors have attractive characteristics relative to many non-real asset sectors, such as a lower average coupon, a higher proportion of fixed-rate debt, and less exposure to international trade and geopolitical risk, as illustrated in the chart on the right (**Exhibit 2**).

Exhibit 2. Issuers in Consumer-Related Sectors Most Impacted by Tariffs, Real Asset Sectors Barely Impacted

Negative Tariff-Driven Rating Actions



Data as of July 11, 2025. Source: S&P Global, Brookfield. Data includes rating actions on nonfinancial and financial corporates, sovereigns, U.S. public finance, and international public finance issuers. Tariff-Driven Rating Actions, as defined by S&P Global Ratings, are ratings in which 2025 tariff pronouncements are a primary driver of the action. Negative rating actions include: Downgrades, Negative Outlook revisions, and CreditWatch Negative placements.

*Other includes insurance, financial institutions, high technology, international public finance, aerospace and defense, and structured finance.

Infrastructure Equities

Listed infrastructure equities, as measured by the FTSE Global Core Infrastructure 50/50 Index, performed in line with the MSCI World Index through the first half of 2025.

While infrastructure stocks meaningfully outperformed in the first quarter amid a flight to defensiveness, the technology rally in late Q2 saw broader equity indexes catch up. Despite near-term considerations around global trade policies, fundamentals are supportive for cash-flow growth across the listed infrastructure universe.

Spotlight on Transports: Uncertainty around U.S. trade policy creates a volatile environment for intermodal traffic trends. Container volume from Asia to North America has shown signs of weakness as importers and exporters await clarity out of Washington D.C.

Exhibit 3. Asia-North America Container Volume (TEUs)
Year-Over-Year Change (Monthly), Five Years Ended May 2025

As of May 31, 2025. Source: Bloomberg. **Past performance is not a guarantee of future results.** Index performance is shown for illustrative purposes only and does not reflect the performance of any investment product. Actual results may differ.

Opportunities

- The growing power demand narrative remains intact. Following nearly two decades of flat demand, some estimates suggest U.S. power demand could increase by 30% over the next 10 years.
- Integrated utilities and merchant generators are well positioned to capitalize on power demand trends over the next decade, in our view.
- Natural gas demand is forecast to rise 20% through 2030 as liquefied natural gas (LNG) exports ramp up; and the data infrastructure build-out continues.

Considerations

- Select transports subsectors face near-term softness as tariff uncertainty impairs business confidence and postpones investment decisions.

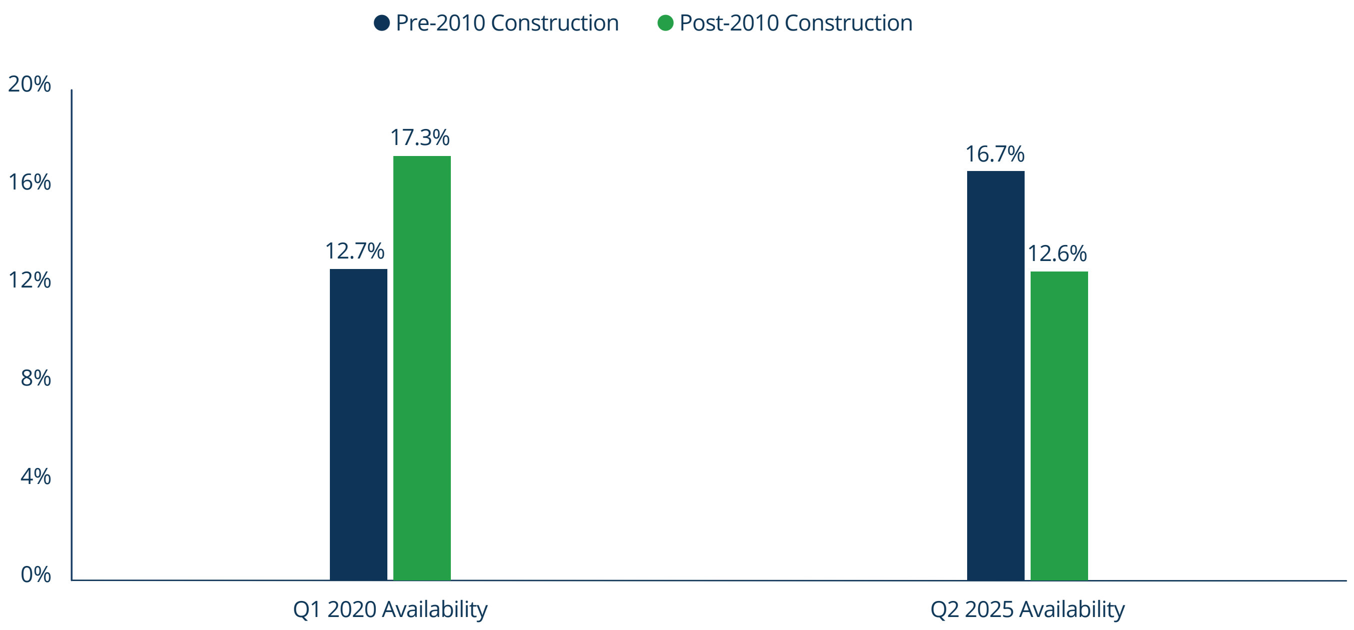
Real Estate Equities

While absolute returns for global real estate equities were positive in the first half of 2025, they lagged broader markets on a relative basis.

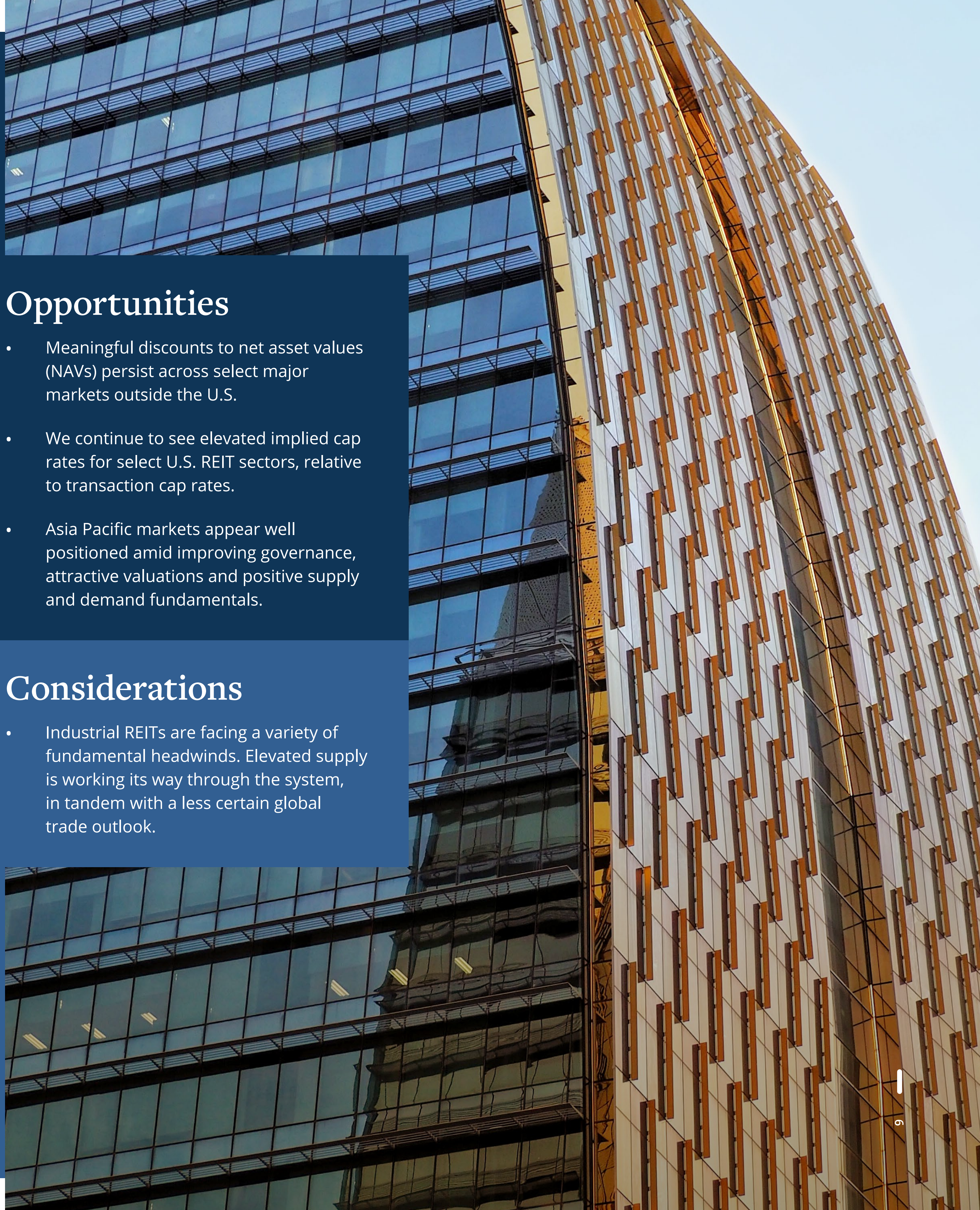
Despite robust fundamentals across property types, the asset class was not immune to market volatility caused by tariff announcements. Near-term trade and tariff uncertainty persists, but overall, we think REITs remain well positioned over the longer term amid solid real estate fundamentals and the potential for easing monetary policy.

Spotlight on Office: Leasing activity in the U.S. office sector remains focused on higher-quality buildings. For example, Avison Young data indicate that trophy and class A properties accounted for 82% of year-to-date leasing activity in Manhattan through the second quarter of 2025. New properties constructed after 2010 have seen a meaningful decline in availability over the last five years as tenants seek high-end amenities and services.

Exhibit 4. Manhattan Office Availability Rates by Vintage, Q2 2025 vs. Q1 2020



As of July 2025. Source: Avison Young, Manhattan Office Insights Q2 2025.



Opportunities

- Meaningful discounts to net asset values (NAVs) persist across select major markets outside the U.S.
- We continue to see elevated implied cap rates for select U.S. REIT sectors, relative to transaction cap rates.
- Asia Pacific markets appear well positioned amid improving governance, attractive valuations and positive supply and demand fundamentals.

Considerations

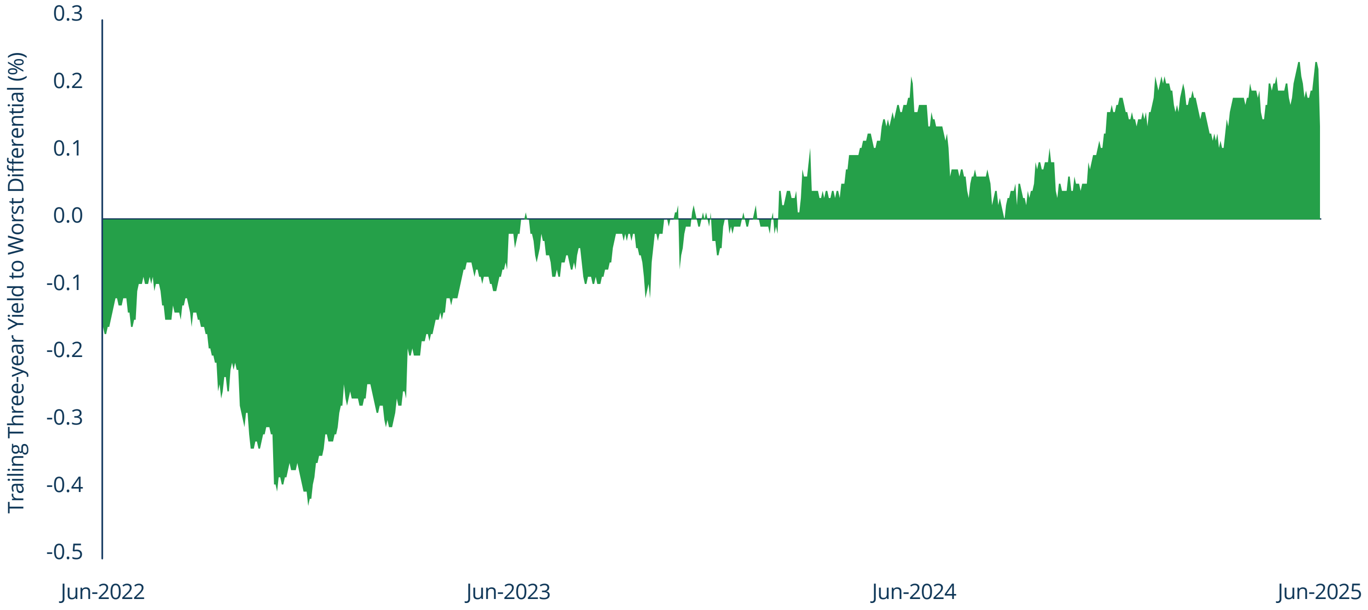
- Industrial REITs are facing a variety of fundamental headwinds. Elevated supply is working its way through the system, in tandem with a less certain global trade outlook.

Real Asset Debt

Fixed-income markets generated positive total returns in the second quarter, despite initial market volatility and uncertainty surrounding trade tariffs. High-yield bonds outperformed investment-grade bonds, with lower-quality credits leading returns.

From a fundamentals perspective, we maintain a relatively constructive view on most high-yield sectors, as issuers have shown resilience despite high borrowing costs. The asset class is also benefiting from strong technical factors, including investor demand, as absolute yields are attractive, as well as limited M&A activity, which has moderated new issuance. Default rates within the high-yield sector remain near historical averages, in contrast to other parts of the leveraged finance universe, which have worsened in recent quarters. However, current valuations do not support credit-loss risk within lower-credit-quality segments of the high-yield market, even under optimistic default rate projections.

Exhibit 5. Real Asset Sectors of High Yield Are Attractive Relative to Non-Real Asset Sectors



Data as of June 30, 2025. Source: Bloomberg, Brookfield. Brookfield classifies the following sectors as real asset debt: cable & satellites; chemicals; energy; gaming, lodging & leisure; housing; metals & mining; telecommunications; transportation and utilities. Broad high yield as defined by the ICE BofA High Yield Index.

Opportunities

- Elevated yields continue to give investors the potential opportunity to earn attractive contractual returns.
- Refinancings dominate the new-issue market, limiting new supply and supporting prices.
- High-yield bonds within real asset sectors are showing value vs. broad sectors.

Considerations

- Overall, spreads are tight relative to historical levels.
- Potential slowing of economic growth and high borrowing costs could impair issuers' fundamentals.

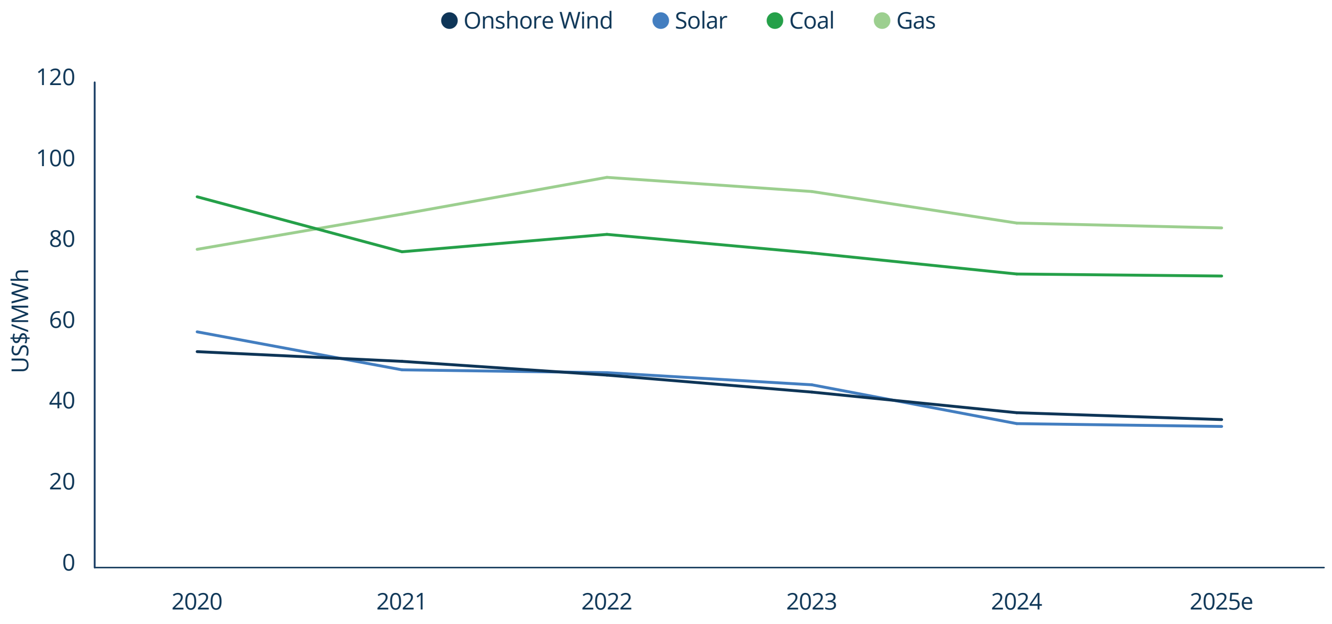
Multi-Asset Solutions

Our Multi-Asset Solutions team leverages the Firm’s deep expertise and investment capabilities across real asset sectors, capital structures, and the liquidity spectrum to create diversified real asset solutions for investors.

Real asset equity and debt securities underperformed their broad market counterparts as the impact of U.S. trade tariffs and overall economic uncertainty moderated as the quarter progressed, leading to a rotation into technology and AI-related equities. Going forward, we see a favorable environment for diversified real assets exposure relative to geopolitical risks and inflation surprises.

Spotlight on Renewables: Renewable energy remains the most cost-competitive form of electricity generation and is therefore receiving increased demand from the private sector, despite the U.S. government’s recent efforts to roll back renewable energy initiatives and subsidies. As illustrated below, the levelized cost of electricity for both onshore wind and solar is below $40 per megawatt-hour (MWh).

Exhibit 6. Global Levelized Cost of Electricity (LCOE)



Data as of June 30, 2025. Source: Bloomberg. The LCOE is the long-term breakeven price a power project needs to recoup all costs and meet the required rate of return.

Opportunities

- Infrastructure equities continue to demonstrate defensive characteristics and benefit from structural tailwinds like AI data center build-out and decarbonization efforts.
- Renewable energy offers strong growth prospects and secular tailwinds from energy transition policy support, particularly in Europe and the U.K.
- We currently favor investment-grade credits as a challenging macro environment calls for defensive positioning in higher-quality issuers.

Considerations

- Commercial real estate fundamentals remain challenged in certain property types, such as Class B office.
- Softening macro conditions and, along with tightening financial conditions, could negatively impact lower-rated borrowers.

Disclosures and Definitions

Endnote

[1] Source: S&P, Brookfield Public Securities Group. "Tariff-Driven" Rating Actions defined by S&P are public ratings in which 2025 tariff pronouncements are a primary driver of the action. Negative rating actions include: Downgrades, Negative Outlook revisions, and CreditWatch Negative placements.

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All investing involves risk. The value of an investment will fluctuate over time, and an investor may gain or lose money, or the entire investment. Infrastructure companies may be subject to a variety of factors that may adversely affect their business, including high interest costs, high leverage, regulation costs, economic slowdown, surplus capacity, increased competition, lack of fuel availability and energy conservation policies. All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. Fixed income risks include interest rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Real assets include real estate securities, infrastructure securities and natural resources securities. Diversification does not assure a profit or protect against loss in declining financial markets.

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Index Definitions

The Alerian Midstream Energy Index is a broad-based composite of North American energy infrastructure companies. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX).

The Alerian MLP Index is the leading gauge of energy infrastructure master limited partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The Bloomberg Global Aggregate Index tracks the performance of investment-grade public debt issued in the major domestic and eurobond markets, including global bonds.

The Bloomberg Magnificent 7 Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

The Dow Jones Brookfield Global Infrastructure Index comprises infrastructure companies with at least 70% of their annual cash flows derived from owning and operating infrastructure assets. Brookfield has no direct role in the day-to-day management of any Brookfield-branded indexes.

The FTSE EPRA Nareit Developed Real Estate Index is an unmanaged market-capitalization-weighted total-return index that consists of publicly traded equity REITs and listed property companies from developed markets.

The FTSE Global Core Infrastructure 50/50 Index gives participants an industry-defined interpretation of infrastructure and adjusts the exposure to certain infrastructure subsectors. The constituent weights are adjusted as part of the semi-annual review according to three broad industry sectors: 50% Utilities; 30% Transportation, including capping of 7.5% for railroads/railways; and a 20% mix of other sectors including pipelines, satellites and telecommunication towers. Company weights within each group are adjusted in proportion to their investable market capitalization.

The ICE BofA Preferred Stock REITs 7% Constrained Index is a subset of the BofA Fixed-Rate Preferred Securities Index including all real estate investment trust-issued preferred securities. The ICE BofA Fixed-Rate Preferred Securities Index tracks the performance of fixed-rate U.S.-dollar-denominated preferred securities issued in the U.S. domestic market. The ICE BofA Real Asset USD High Yield and Corporate Custom Index is a custom index blend of sectors of the ICE BofA U.S. High Yield Index (70%) and the ICE BofA U.S. Corporate Index (30%) that correspond to equity sectors in Brookfield's real asset universe. Such real asset-related sectors include Cable, Infrastructure Services, Oil/Gas T&D, Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, Real Estate Ownership & Development and REITs. The ICE BofA U.S. High Yield Index tracks the performance of U.S.-dollar-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA U.S. Corporate Index tracks the performance of U.S.-dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofA Real Asset USD Investment Grade Custom Index is a custom index that tracks the performance of sectors of the ICE BofA U.S. Corporate Index that correspond to equity sectors in Brookfield's real asset universe. Such real asset-related sectors include Cable, Infrastructure Services, Oil/Gas T&D, Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, Real Estate Ownership & Development and REITs. The ICE BofA Real Asset USD High Yield Custom Index is a custom index that tracks the performance of sectors of ICE BofA U.S. High Yield Index that correspond to equity sectors in Brookfield's real asset universe. Such real asset-related sectors include Cable, Infrastructure Services, Oil/Gas T&D, Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, Real Estate Ownership & Development and REITs.

The MSCI U.S. REIT Index is a free-float-adjusted market-capitalization-weighted index that is comprised of equity real estate investment trusts (REITs). With 153 constituents (large-, mid- and small-cap), it represents about 99% of the U.S. REIT universe.

The MSCI World Index is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets.

The NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE) is a capitalization-weighted, gross of fee, time-weighted return index with an inception date of December 31, 1977.

The S&P 500 Index is an equity index of 500 widely held large-capitalization U.S. companies.

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