

All data as of May 31, 2025

# Brookfield Real Asset Securities UCITS Fund

## Monthly Commentary

### *Global Infrastructure equities gain 2% in May*

Global listed infrastructure equities were positive in May, but they lagged behind broader global equities as investors' risk appetite rebounded significantly. The FTSE Global Core Infrastructure 50/50 Index gained 1.77%. By subsectors, transports posted the largest gain, with ports up 14.71% and airports advancing 6.81%. Conversely, duration-sensitive sectors like communications and utilities lagged. The Alerian Midstream Energy Index rose 2.11% during the month.

### *Global real estate equities up nearly 3% in May*

Global real estate securities, as measured by the FTSE EPRA Nareit Developed Index, gained 2.61% in May. Among U.S. property types, hotels (+7.53%), office (+6.29%) and data centers (+5.0%) were top performers during the month. Conversely, health care and residential stocks posted moderate declines during the month.

### *U.S. Fixed Income with mixed results in May*

U.S. fixed income markets were mixed in the month of May. The U.S. treasury curve rose significantly during the month of May as mid and longer rates rose, with the 2-year treasury yield rising 30 basis points (bps), the 5-year rising 24 bps and the 10-year rising 24 bps. Investment Grade credit spreads tightened 17 bps while High Yield spreads tightened 62 bps. Broad investment grade credit returned 0.00%, as measured by the ICE BofA U.S. Corporate Index. Broad high yield returned 1.68%, as measured by the ICE BofA U.S. High Yield Index with returns led by lower quality credits (CCC and lower) as risk appetite for credit rebounded in May. Real asset investment-grade and high-yield bonds underperformed their broad market counterparts, as their defensive characteristics lagged behind those of lower-quality issues.

### *Infrastructure Positioning and Outlook*

Despite near-term uncertainties from oscillating headlines around trade policies, we think the long-term economic backdrop for infrastructure is robust. Multi-decade investment themes related to digitalization, deglobalization and decarbonization continue to drive our expectations for strengthening cash flows and earnings growth.

We believe listed infrastructure's recent performance relative to broader equities highlights these long-term tailwinds, with infrastructure offering investors access to stable cash flows, downside protection and

diversification of factor exposures versus global equity indexes.

### Utilities

The recent inflection in electricity demand has led to a surge in capex and rate base growth expectations for U.S. utilities. This in turn is driving expected earnings growth higher. We are also seeing an improving regulatory backdrop in the U.K. and Europe, where we anticipate better-than-expected allowed returns, as well as greater allowances for higher levels of capex spending. This should provide clarity on higher earnings growth in the region as well.

### Transports

Recent volatility within the transports sector highlights the sensitivity of these stocks to changes in trade flows and a slowdown in global mobility. We are closely monitoring cargo and freight trends among global ports and railroads for signs of an economic slowdown. Traffic levels among toll roads and airports have remained generally robust, but recent commentary by transportation executives suggest consideration is warranted for near-term growth expectations. That said, we continue to see opportunities driven by idiosyncratic dynamics such as toll road privatization efforts in the U.S., improving market share and pricing dynamics for U.K. and EU trade routes and policies to support tourism growth in regions such as Japan.

### Communications

Within the communications sector, we've seen a reversal of sentiment as fundamentals appear to reach an inflection point. Leasing trends are expected to accelerate in the coming quarters as network operators invest their networks to address capacity constraints. Additionally, as artificial intelligence (AI) use evolves, network operators will require further investments to ensure low latency so their users can benefit from new uses.

### Energy Infrastructure

Exports of energy products out of the U.S. are a key tool to help reduce trade deficits, suggesting the U.S. administration will continue to remain supportive of the energy infrastructure required to facilitate these flows. Additionally, the outlook for natural gas infrastructure remains robust, given the need to meet growing electricity and LNG demand. We remain constructive on the sector given these fundamental drivers, strong free

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cash flow generation, and attractive income and anticipated growth of that income.

### *Real Estate Positioning and Outlook*

On a year-to-date basis, we have seen listed real estate fare relatively well compared to broader equities. The asset class's relative strength comes despite headwinds from trade policy, economic growth and the direction of inflation and interest rates.

Over the longer term, we maintain our constructive stance on the potential for the asset class to deliver positive returns—both absolute and relative to equities broadly. Real estate remains supported by attractive valuations and limited new supply, with positive demand drivers across most property types.

Given the current environment, we maintain a preference for defensive sectors and within those sectors, the highest quality companies. We believe a time will come when value-driven investment opportunities will emerge. For now, however, we think a focus on quality of cash flows is most prudent, to minimize the potential for negative outcomes as daily headlines swing wildly.

Our current preference for U.S. residential exposure is multifamily, based on favorable valuations and fundamentals relative to single-family rentals. Additionally, we think multifamily landlords could benefit more if generalist fund flows increase to the real estate sector. Our preference for health care assets is driven by what we think are very favorable fundamentals, as limited new supply and an aging population should drive earnings growth for the sector. We favor companies with management teams focused on optimal capital allocation and external growth. Data center stocks lagged in the first quarter, following strong returns in 2024. However, the supply and demand picture remains very constructive, in our view.

The fluid trade policy environment introduces a headwind to the industrial sector, just as market participants were anticipating an inflection in operating fundamentals. We maintain a preference for New York and Boston office markets, where we are seeing the recovery improve faster than in West Coast markets.

Hotels face heightened uncertainty amid the prospect for an economic slowdown and lower mobility as global trade policies evolve.

Our positioning in Continental Europe and the U.K. is focused on what we believe to be the highest quality companies across the office, residential and industrial sectors.

In Asia Pacific, we are beginning to see more favorable opportunities within Japan's office sector as new deliveries begin to plateau. In Hong Kong and China, we are encouraged by announced stimulus measures but maintain caution around the timing of a recovery for residential fundamentals. Additionally, we think recent earnings results reflect strength among retail fundamentals in Australia.

### *Real Asset Debt Positioning and Outlook*

Global credit markets are expected to remain volatile in the near future. The recent implementation of US tariffs with trading partners across the world roiled equity and credit markets during the first two weeks of April. Treasuries rallied, and US investment grade and high yield bond spreads widened sharply off their post-GFC lows. We anticipate a difficult macro environment in coming quarters as the potential for weaker economic growth, sticky inflation, and limited ability of central banks to ease due to inflation creates hazards across the credit space. We see particular vulnerability in lower-quality HY bonds (CCCs) as the potential for slower economic growth combined with elevated borrowing rates impedes balance sheets. On the other hand, valuations in several segments of high yield are becoming increasingly attractive in our view; the spread between BB and BBB has widened significantly, and valuations among select lower-rated issuers appear attractive on a risk-adjusted basis.

Given the current environment, we favor up-in-quality high yield (BBs) over BBBs on attractive valuations and the prospects of outperformance. In particular, we observe the potential for attractive returns in high-quality energy E&P credits, which we think are much better positioned to withstand tighter energy market conditions than in prior periods. We also see opportunities in infrastructure high yield, which we

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believe are among the most attractive within the asset class, especially among certain hybrid securities.

We are constructive on real asset credit relative to broad corporate credit. We believe real asset companies have durable business models underpinned by long-lived and essential assets and are less impacted by recent tariff announcements relative to technology hardware and retail sectors. As such, we believe adding real asset credit can potentially improve outcomes to a diversified fixed income portfolio.

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An investor should consider a fund's investment objectives, risks, charges and expenses carefully before investing.

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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 FTSE EPRA/Nareit Global Developed Index is a free-float-adjusted, liquidity, size and revenue screened index designed to track the performance of listed real estate companies and REITs worldwide.

The FTSE Global Core Infrastructure 50/50 Index gives participants an industry-defined interpretation of infrastructure and adjusts the exposure to certain infrastructure sub-sectors. 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 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 S&P 500 Index is an equity index of 500 widely held, large-capitalization U.S. companies.

The U.S. 10-Year Treasury Note is a debt obligation issued by the United States government that matures in 10 years and pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

ICE BofA US High Yield Index tracks the performance of U.S. dollar-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market.

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West Texas Intermediate Crude Oil is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma.

The Bloomberg Commodity Index is a broadly diversified index that tracks the commodities markets through commodity futures contracts.

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