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2026 MSIP Infrastructure Outlook

INVESTMENT INSIGHT | MORGAN STANLEY INFRASTRUCTURE PARTNERS | December 2025

ALICE KIM (ALICE): WHAT ARE YOUR EXPECTATIONS FOR THE INFRASTRUCTURE INVESTMENT LANDSCAPE FOR THE YEAR AHEAD IN 2026?

MARKUS HOTTENROTT (MARKUS): The market environment is as uncertain as it ever was in every dimension—both geopolitically and economically. Having said this, infrastructure as an asset class seeks to be resilient across market cycles, especially given its essential nature. This dynamic is expected to continue to drive LP demand for infrastructure exposure.

We have seen slower exit activity over the last few years, especially with the very largest deals. At a time when LP infrastructure portfolios are increasingly maturing, there is an increased focus on distributions to paid-in capital (or DPI) as a metric. As people try to deal with this DPI pressure, there should be more exit activity, which should generate deal flow. We would likely not focus on marquee assets that are entirely cleaned up—as there would be a robust auction process. Should the situation require something more negotiated and structured—this would be where we would spend time.

ALICE: ANY PARTICULAR SECTORS OR THEMES WORTH HIGHLIGHTING?

CHRIS ORTEGA (CHRIS): Data center proliferation and relatedly, the secular demand growth on power are the most important factors of where we are right now. The two sectors are increasingly intertwined, with available power being the largest bottleneck to data center expansion in most markets. Recent reports estimate that data centers will contribute over 50 GW of US power demand by 2028, roughly half of the growth in total power demand.[1] In locations with data center exposure, hyperscalers are pushing up local utility bids on power purchase agreements (PPA). On top of that, one impact of the One Big Beautiful Bill's removal of investment tax credits for renewable projects over time, is that existing generation assets have become materially more valuable compared to a year ago, irrespective of whether that generation is thermal or renewable. Given these factors, it is less interesting to buy operating assets today as they are robustly priced. However, we would be interested in looking at operating assets in complicated or idiosyncratic situations, where it takes a unique solution to unlock value. On the renewable development side, any projects that can be safe harbored to receive

[1] Source: Morgan Stanley Research, The Inferences. Data as of May 26, 2025.

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investment tax credits under the One Big Beautiful Bill—i.e. where you can begin construction by the first half of 2026 and be operating within four years, are more valuable today as well. Consequently, the current scarce resource in renewables is quality development teams that can start projects to ensure their safe harboring.

YACINE SAIDJI (YACINE): From a European perspective, data centers and power infrastructure are very interrelated as well. There is currently immense demand for data centers able to host GPUs that can come online very quickly. In Europe, the availability of power to your data center in the near-term is the scarce resource and hence, the differentiator. If your data center can only come online in 2029-2030—the market has plenty of options. However, if you have power available in the near-term and can come online in the next year, you have an edge as a provider and can capture immediate demand.

CHRIS: From a U.S. perspective, on data centers specifically, the key will be to find differentiated situations that offer an attractive risk/return profile, rather than chasing the most crowded data center segments. For example, while hyperscale data centers will continue to be an important part of the ecosystem, they are trading at multiples of 25x to 30x+. One is assuming a fair bit of risk investing at those entry valuations. In this environment, we are focused on secondary and tertiary data center themes. Specifically, we are focused on the wholesale multi-tenant segment of data centers. Most of the companies that previously served this segment have now migrated to the hyperscale end, improving competitive landscape. Also, this segment, still benefits from good contract durations and supportive demand drivers. Moreover, given the segment's multi-tenant nature, there are not the customer concentration issues that exist in other data center segments. We were able to enter our current wholesale data center investment in the mid-teens and find this a compelling risk reward. We also see incremental opportunity in dedicated fiber-to-data centers as well as powering them.

MARKUS: Energy transition will remain an area of focus for us. It's fair to say that priorities have shifted somewhat around sustainability and green energy, as many countries face a cost-of-living crisis and are focusing on affordability. There's also been a significant political focus on keeping energy costs as low as possible. We believe that there remains a huge energy transition opportunity. Between now and 2030, there are estimates for global investment needs of up to $5.6 trillion per year.[2] Tying into the theme of data centers and electrification, it's clear that the energy transition remains a key focus.

ALBERTO DONZELLI (ALBERTO): Renewables in Europe (meaning wind and solar) have gone from very high valuations to very interesting levels currently. Lower forward power price curves, increasing electricity grid congestion driving generation curtailments, and increased financing costs are lowering the valuation of operational assets compared to a few years ago. More interestingly, independent developers that own mid-to-late stage projects are at a point in the development cycle where the highest level of cash is needed to secure grid connections, complete project development, and ultimately begin construction. We will look to potentially be a solutions provider in this area.

ALICE: ANYTHING OUTSIDE OF DATA CENTERS AND POWER/ RENEWABLES WORTH HIGHLIGHTING?

MARKUS: We continue to remain interested in water, which, by the way, is in part driven by electricity generation demand and climate change and data centers. We also like the theme of moving waste from landfill to other forms of treatment. This is a global theme.

CHRIS: Water scarcity in the western U.S. has always been an issue and it is becoming more critical today. Increasingly large data centers with high powered compute are moving to liquid cooling, exacerbating this issue. Consequently, data centers, climate change, and issues with legacy water infrastructure are making water infrastructure investments increasingly urgent, and we think that this will become a critical theme over the medium term.

ALBERTO: In Europe, while water scarcity is very real—it is generally more difficult to transact on, as much of European water is government owned. I am more constructive on waste and environmental services, as a lot of these assets are already in private hands.

As we have said in the past, the beauty of waste transition is that the population generally does not have to pay more to transition to the circular economy. To meet the European Union's target for waste transition, where the EU member states must recycle 60% of their municipal waste by 2030, there are, generally, no additional costs to the general population.[3] The sector is, in principle, self-funding. There is typically already a landfill tax and a cost that normally goes to the landfill owner, which in turn passes to the party producing the waste. These funds would simply be redirected to recycling.

[2] Source: BloombergNEF. Data as of January 30, 2025.

[3] Source: European Commission's Circular Economy Action Plan (CEAP). Data as of March 2020.

TIM COOPER (TIM): There is enormous appetite from direct and core investors to own assets that face the circular economy. The issue regionally is, there are very few opportunities of an institutional quality that are ready for an investment from permanent capital providers today. And that is a significant opportunity for MSIP. It caters to our investment style to undertake a five-year journey, appropriately capitalize the business, work with a great management team and develop a business that is well suited and highly attractive to core and permanent capital pools at the time of our exit.

Separately, and this is more unique to Australia, there is a large early stage opportunity to invest in resource related infrastructure. In North America and even in Europe to an extent, there is a large, well understood, liquid market for Exploration & Production, midstream, and LNG infrastructure. In Australia, there are enormous amounts of hard infrastructure that sit embedded within the global mining companies, particularly within the mid-cap space. Ports, airports, toll roads, water assets and remote power, all sit within these companies.

MARK MCLEAN (MARK): And these assets don't need to be owned by those parties. Those parties are at the very early stages of their journey of trying to carve out those assets and recycle capital in a way that gives them new funding sources rather than tapping the equity market to raise capital.

TIM: And the second piece of that thematic is that these companies are some of the largest carbon emitters on the planet. They are in the early stages of their decarbonization journey, and seem wholly committed to energy source transformation.

MARK: It is going to take real capital, real expertise and real partnership skills to unlock these investments. And that could be an enormous opportunity for us, having already transacted in one of the only infrastructure carve-outs from a hard rock mining company. We feel we have exceptionally good credentials to make these investments with these companies.

ALICE: TAKING A STEP BACK, WHAT ARE THE RISKS YOU ARE MOST FOCUSED ON?

MARKUS: Geopolitical uncertainty is the new normal and is here to stay. Affordability concerns have created significant political and regulatory risk in assets where costs ultimately pass through to the voting population. Even in countries that look relatively stable right now, polarization and volatility could arise as widespread changes in public sentiment disconnect from political parties or coalitions in power. If the result is a materially different government coming into office, this could mean the introduction of new policies, as well as scrapping existing ones, which adds to economic uncertainty. Hence, you will want to minimize exposure to subsidies, economic regulation, or having governments as counterparties. Indeed, since the sovereign debt crisis in Europe, we have been pivoting towards private infrastructure, i.e. assets that are contracted with private counterparties and/or are used primarily by private customers.

CHRIS: It is difficult to forecast with confidence where additional tariffs are going to apply and how long they will continue to last. Hence, there is a very high bar to invest in opportunities with significant international trade exposure.

YACINE: I think maintaining discipline in ensuring our asset class continues to deliver inflation protection is key. While consensus points to 2-3%, a spike to 4-5% would challenge the industry—but assets with inflation pass-through would remain resilient.

ALICE: LOOKING AHEAD, WHAT WILL BE OUR STRATEGY IN TRANSACTING IN THIS ENVIRONMENT?

MARKUS: Our traditional sources of deal flow tend to continue through market cycles. Carve-outs continue to be a source of opportunity for us. It allows corporates and strategics to address their capital needs while taking a more focused approach to their business. We are seeing a lot of these in Europe, and as Mark and Tim highlighted, there is ample opportunity in Australia in particular.

We have also focused on take privates as a source of deal flow—this tends to be a rich source of deal flow, independently of the market conditions. When assets trade in the public market for technical reasons meaningfully below fundamental value, this is independent from where we are in the valuation cycle. Even when the Magnificent 7 are pushing indices to all time highs, there are still small, neglected and misunderstood infrastructure businesses that are not trading at these high levels. We are observing this right now and continue to be actively involved in a few P2P dialogues.

Finally, as a middle market infrastructure investor, there is ample opportunity to offer creative solutions via partnerships with families and individuals. This continues to be a source of deal flow.

CHRIS: The investments that we make in 2026 will be the seeds we planted with various C-suites 2-3 years ago—and have continued to develop each year. We have built a rapport with the management leaders and developed an intimate understanding of the business models in thematic areas that we have been highlighting. As in past years, we expect several of those situations will catalyze and become executable over the next year.

ALBERTO: Partnerships continue to be a focus in Europe as well. I like to think of partnerships like a marriage—it takes time to build the relationship, it takes time to build trust, and it also takes time to build a solution that works for both parties.

MARK: The team in Australia has been doing this for a very long time now. We know all the key players in the Australian and New Zealand markets. Each deal we have transacted on has been on an exclusive and bilateral basis.

TIM: People understand that MSIP will do what it says it will do. Transaction counterparties and partners have overwhelmingly had great experiences in working with us. We are quick and discreet, and can provide transaction certainty. If you don't want to compete on headline valuations, it's essential you can deliver certainty—and we can.

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