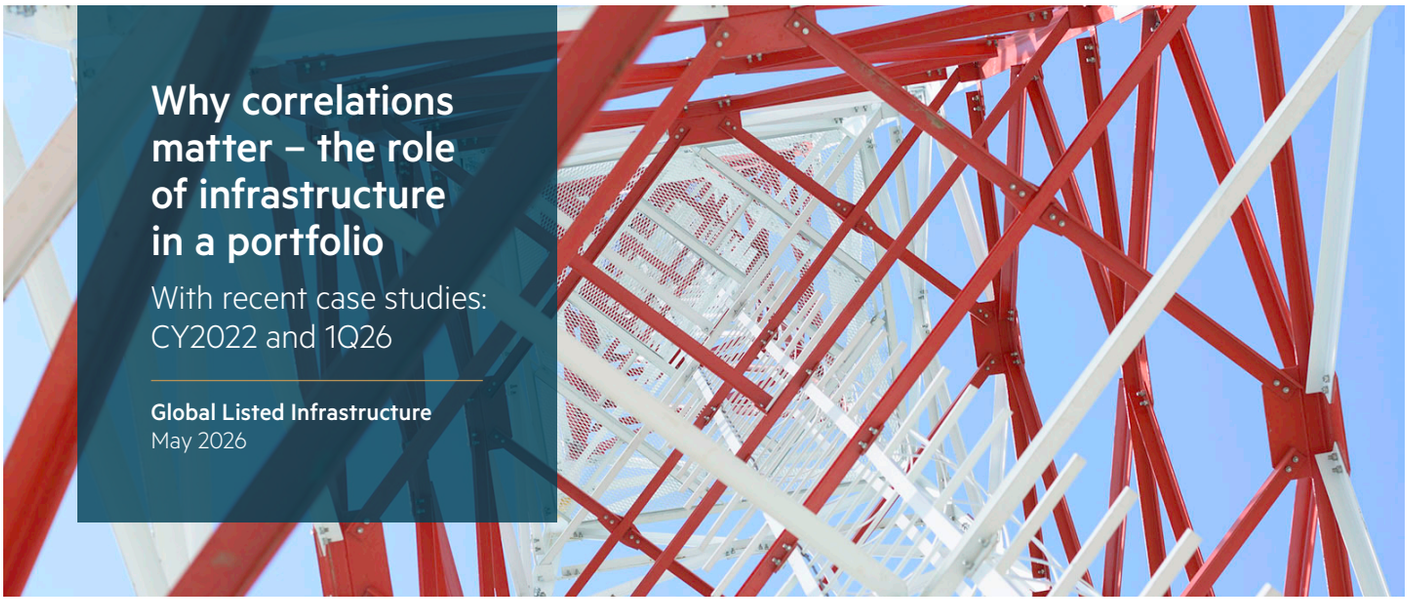

Why correlations matter – the role of infrastructure in a portfolio

With recent case studies: CY2022 and 1Q26

Global Listed Infrastructure
May 2026

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Key takeaways

- **Reduced correlations with Global Equities, highlighting its diversifying properties.** Rolling correlations to 31 March 2026 sit around ~0.7 and well below 1.0 across all horizons. This is consistent with our previous 2013, 2016 and 2019 report findings.
- **Equity beta has remained structurally low, highlighting infrastructure's defensiveness.** Rolling equity beta for Global Infrastructure has hovered around ~0.6-0.7, reinforcing the role of infrastructure in a portfolio.
- **Calendar year 2022 validated the diversification case.** Global Equities fell more than 18% in USD terms, global bonds posted one of their worst ever years on record falling 16%. Infrastructure fell less than 5%. Our portfolio performed even stronger, down less than 2%. The asset class delivered precisely when the traditional equity-bond portfolio hedge broke down.
- **March quarter 2026 confirmed the pattern.** Against a SaaS-led tech sell-off and the Iran-driven energy shock, Global Infrastructure returned +8.3% versus MSCI World -3.5%, an outperformance of nearly 12%. Again, our portfolio performed even stronger. HALO ("Heavy Assets, Low Obsolescence") assets with little-to-no relationship to the economic cycle, did the heavy lifting – including water utilities, electricity transmission and energy infrastructure.

For the purposes of all analysis contained within, all performance data is on a USD-unhedged basis.

Abstract

We revisit the case for a strategic allocation to global listed infrastructure: the asset class has exhibited a structurally lower correlation with global equities with portfolio benefits evident during periods of market stress.

Our prior white papers (November 2013, August 2016 and June 2019) concluded that infrastructure's defensive commercial frameworks – whether it be regulated return formulae, inflation-linked concession agreements, and revenue bases that are largely detached from the economic cycles in the economies in which these assets operate – translate into lower volatility, lower equity betas and reduced correlations with broader equities.

This note reconfirms that these structural features continue to hold true, and highlights two recent episodes that, in our view as an investment manager, provide a useful stress test of the asset class's diversification properties – calendar year 2022 (which saw the post-COVID inflation spike and supply-chain-driven global equities collapse) and the March quarter of 2026 (a software-led technology sell-off for global markets compounded by the Iran conflict).

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Why correlations matter

Infrastructure is often referred to as a "diversifier" in a portfolio since cash flows are mostly generated by very different commercial frameworks than most other companies within a global equities basket. Earnings or revenues linked to contracts or concessions with built-in inflation escalators, or having returns set based on a regulated asset base with limited linkages to volumes or cyclical demand. Many regulated environments offer return formulae that allow the ability for an asset to earn a target return, regardless of market conditions and often detached from the economic cycle. This results in the cash flows and value of infrastructure behaving very differently to general equities in both up and down markets, resulting in reduced correlations.

Modern portfolio theory suggests that increasing asset diversification in a portfolio, for example by adding a strategic allocation to infrastructure, can help in reducing overall portfolio volatility. Investors looking to meet specific risk-return objectives necessitates accounting for risks not only at the stock or investment level, but at a portfolio level. Ensuring reduced correlations between asset classes within a portfolio is therefore an important step in this process.

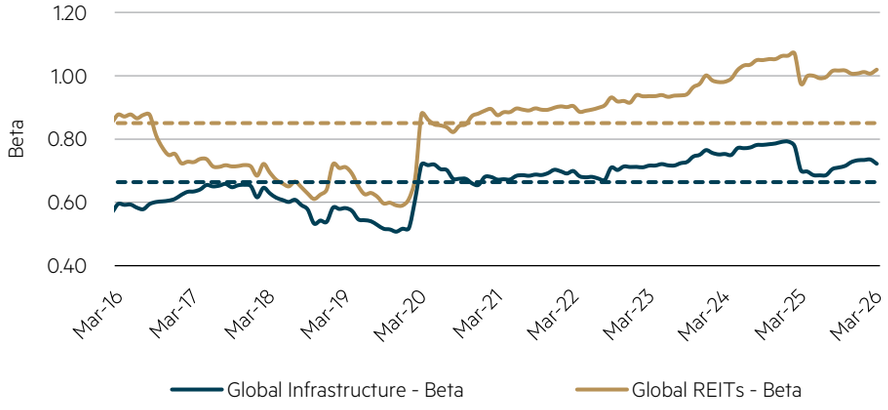
Our updated analysis continues to show that global infrastructure exhibits both (1) lower volatility than global equities and (2) reduced correlations with global equities, as well as a less than perfect correlation with other asset classes.

Beta and correlation – often used interchangeably by investors

In allocating to infrastructure, many investors consider its reduced equity beta and correlation with other asset classes. We believe these measures need to be considered side-by-side.

Historical equity betas for global infrastructure have remained relatively constant – i.e. range-bound around 0.6. We suggest this is unsurprising given relative defensiveness the asset class has exhibited through multiple cycles and its lower volatility cashflows. Global REITs, by contrast, have sustained a structural beta premium over infrastructure over almost all periods. The comparison is important – investors often allocate to "Real Assets" and in many cases make little distinction between Global Infrastructure and Global REITs.

Figure 1: Rolling 5-year equity beta – Global Infrastructure and Global REITs



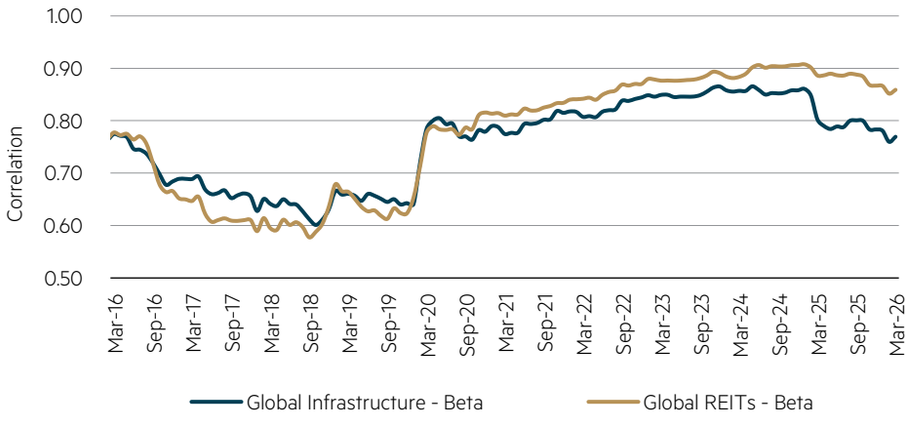
Source: FactSet. Data to 31 March 2026. Global Equities: MSCI World Index. Global Infrastructure: FTSE Global Core Infrastructure 50/50 Index. Global REITs: FTSE EPRA/NAREIT Developed Index. Past performance is not a reliable indicator of future performance.

The sustained lower beta of global infrastructure is only an indication of its defensiveness. It shows how global infrastructure responds to volatility in the broader market, and whilst it is a measure of the magnitude of risk, investors sometimes forget doesn't show how dependent – or independent – infrastructure returns are to the broader market.

This is where correlation comes in. When investors look for assets that are uncorrelated with one another, one of the key reasons they do so is to improve the risk-return objectives of a portfolio. Unlike the beta, the correlation coefficient is a directional-only measure and tells investors how completely movements in the broader market explain a movement in an asset's return. The lower the number, the less correlated.

Considering real assets generally, unsurprisingly both global infrastructure and global REITs have provided a less than perfect correlation with global equities over multiple time horizons. However, the correlations began to diverge from 2020 onwards.

Figure 2: Rolling 5-year correlations with Global Equities



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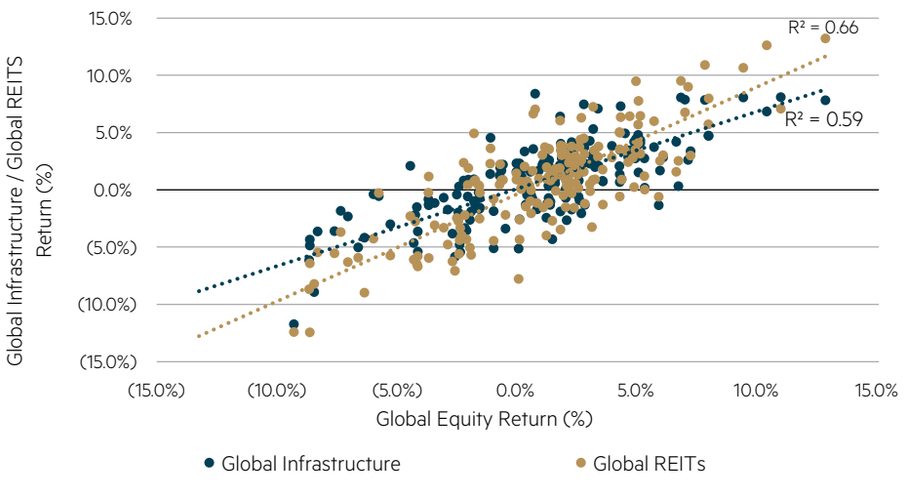
Many investors bucket infrastructure and real estate together, as part of a single real asset allocation. Looking at each of the two real assets more broadly, both have sustained less than perfect correlations with global equities over time, although the "volatility" of the correlation for global REITs has typically been higher. This is not just statistical – the dispersion of monthly returns against global equities is visually stark and the slope of the regression line for infrastructure is clearly flatter than for REITs – and so the lower correlations of infrastructure are also consistent with the lower beta observations noted previously above.

Figure 3: Regression analysis of monthly returns – GLI and Global REITs vs. Global Equities



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Case Studies – Global Equities vs Infrastructure

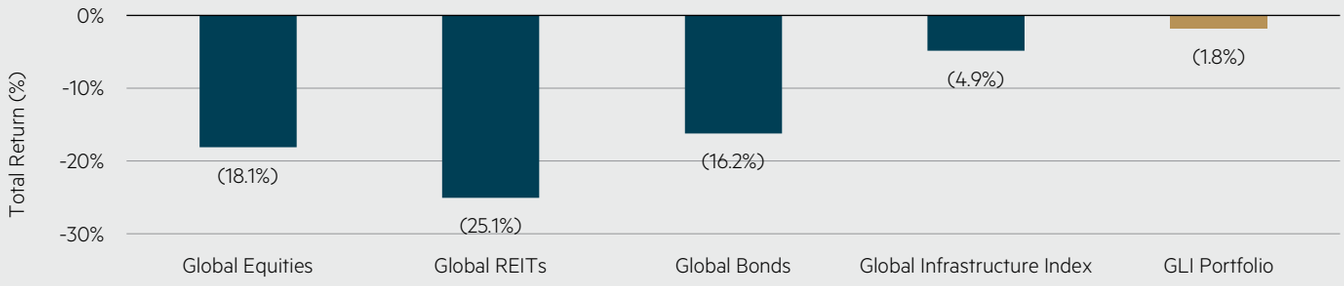
Case Study 1: inflation, rates and supply-chain shock

Background: 2022 was a year of many macro shocks happening concurrently. We saw the fastest central bank tightening cycle in many decades, a post-COVID inflation spike that peaked in the high single digits across most developed economies, let alone emerging markets, supply-chain disruption and the outbreak of war in Ukraine. Global equities fell approximately 18% in USD and global bonds, which many investors hold in a portfolio as a traditional diversifier also posted one of their worst years on record as the equity-bond correlations inverted.

Comparison: Global listed infrastructure held up materially better, returning approximately -4.9% in USD terms (FTSE Global Core Infrastructure 50/50 Index), 13.3% outperformance vs Global Equities. Our strategy (GIPS composite) returned -1.8%, an outperformance of 16.3%. Part of the reason this occurred was because those assets whose revenues were contractually indexed to CPI, or by regulation, tend to capture inflation rather than be punished by it.

Outcome: 2022 is a textbook illustration of a period in which traditional defensive component of a portfolio (bonds) failed at the same time as equities did. Infrastructure's reduced correlation was a clear standout.

Figure 4: 2022 total returns by asset class (USD)



Source: FactSet. Data to 31 March 2026. Global Equities: MSCI World Index. Global Infrastructure: FTSE Global Core Infrastructure 50/50 Index. Global REITs: FTSE EPRA/NAREIT Developed Index. Global Bonds: Bloomberg Global Aggregate Index. Portfolio: Maple-Brown Abbott Global Listed Infrastructure Composite Returns (USD Unhedged, Net of Fees). Past performance is not a reliable indicator of future performance.

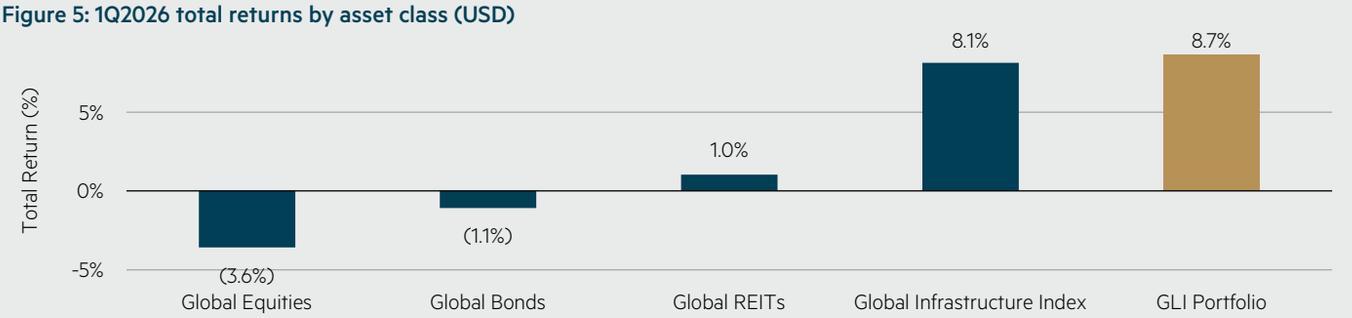
Case Study 2: March quarter 2026: software/tech-derating, the Iran conflict and the impending energy supply and inflation shock

Background: The March quarter 2026 brought about two major market events – the sharp de-rating of many software stocks globally as investors questioned the durability of the "SaaS subscription model" in an AI-world and the outbreak of the US/Israel conflict with Iran which triggered an oil and LNG supply shock, a repricing of inflation expectations and a global bond-market sell-off. Déjà vu 2022?

Comparison: Global listed infrastructure was again the relative bright spot for investors that had an allocation. Regulated utilities – a core component of our strategy and the asset class – benefited from the so-called HALO trade and energy infrastructure captured the spike in the economics, whilst the longer-term inflation tailwind expected from higher global energy prices began to be priced. In USD terms, Global Infrastructure outperformed Global Equities by 11.7% (and our strategy outperforming this again by 12.3%), Global REITs by 7.1% and Global Bonds by 9.2%.

Outcome: Two distinct correlation benefits working simultaneously – the minimal tech exposure of infrastructure meant the asset sidestepped the de-rating impacting global equities – whilst the geopolitical events playing out in the Middle East, and the impending inflation repricing impacting both equities and bonds alike. Infrastructure again stood up to what have been generally seen as investor expectations for the asset class.

Figure 5: 1Q2026 total returns by asset class (USD)



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Finally, looking at the correlations across a larger spread of major asset classes, global infrastructure stands out as a diversifier within a broader portfolio, a feature that becomes especially useful during periods where equity-bond correlations themselves break down, as was the case for much of the 2022 drawdown (case study below). Not only has it sustained a lower correlation with Global Equities for a significant period of time, it has also had lower correlations with Global Bonds, Investment Grade Corporate Bonds, US Treasuries and other Equities including US Equities.

Figure 6: Correlations across asset classes (Five years to March 2026)

Correlations	Global Equities	Global Infrastructure	Global REITs	Global Bonds	IG Corporate Bonds	US Treasuries	Australian Equities	US Equities	EM Equities
Global Equities	1.00								
Global Infrastructure	0.77	1.00							
Global REITs	0.86	0.87	1.00						
Global Bonds	0.73	0.72	0.79	1.00					
IG Corporate Bonds	0.79	0.74	0.81	0.98	1.00				
US Treasuries	0.63	0.63	0.71	0.93	0.91	1.00			
Australian Equities	0.81	0.71	0.81	0.58	0.62	0.49	1.00		
US Equities	0.98	0.70	0.80	0.64	0.72	0.57	0.76	1.00	
EM Equities	0.67	0.64	0.64	0.68	0.70	0.54	0.58	0.59	1.00

Source: FactSet. Data to 31 March 2026. Global Equities: MSCI World Index. Global Infrastructure: FTSE Global Core Infrastructure 50/50 Index. Global REITs: FTSE EPRA/NAREIT Developed Index. Global Bonds: Bloomberg Global Aggregate Index. IG Corporate Bonds: Bloomberg Global Aggregate Corporate Index. US Treasuries: Bloomberg US (7-10 Y) Index. Australian Equities: S&P ASX 200. US Equities: S&P 500 Index. EM Equities: MSCI EM (Emerging Markets). Past performance is not a reliable indicator of future performance.

Summary

The two case studies above, taken together with the updated long-run correlation and beta data, reinforce the conclusions of our 2013, 2016 and 2019 papers that a permanent, strategic allocation to global listed infrastructure in a diversified portfolio can help reduce overall volatility and provide a structurally different return profile from global equities and global bonds during periods when those two asset classes - and others - are moving together.

Infrastructure's less-than-perfect correlation with other asset classes is not isolated to particular windows and has persisted over time. We believe this to be the practical result of the commercial frameworks (being regulated asset bases, inflation-linked concessions, or contracted revenues) that underpin the asset class. These frameworks held their own in 2022 against an inflation, rates and supply-chain shock, and again in the first quarter of 2026 against a backdrop of a software/tech de-rating compounded by a major geopolitical conflict and impending energy supply shock, highlighting to value in so-called HALO assets.

The conclusion for investors remains unchanged – the fact that infrastructure has proven to be less than perfectly correlated with other asset classes means that an allocation, however small, is likely to have a positive impact on reducing overall portfolio volatility.

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