Starlight Capital Global Infrastructure 2026 Outlook

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Managed Fund:
Starlight Global Infrastructure Fund

Global Infrastructure in a Power-Constrained World

In 2025, listed infrastructure delivered strong returns as markets adjusted to a world of structurally higher power demand and tighter supply. While interest rate cuts were more limited and uneven than many initially expected, declining inflation volatility and greater confidence around the peak in policy rates supported valuation expansion. At the same time, the scale and urgency of power demand from generative AI moved from theoretical to tangible, with hyperscalers, utilities, and regulators increasingly focused on securing reliable electricity rather than optimizing cost. This shift drove meaningful earnings upgrades across power generation, grid-adjacent assets, and select midstream infrastructure, anchoring performance through the year.

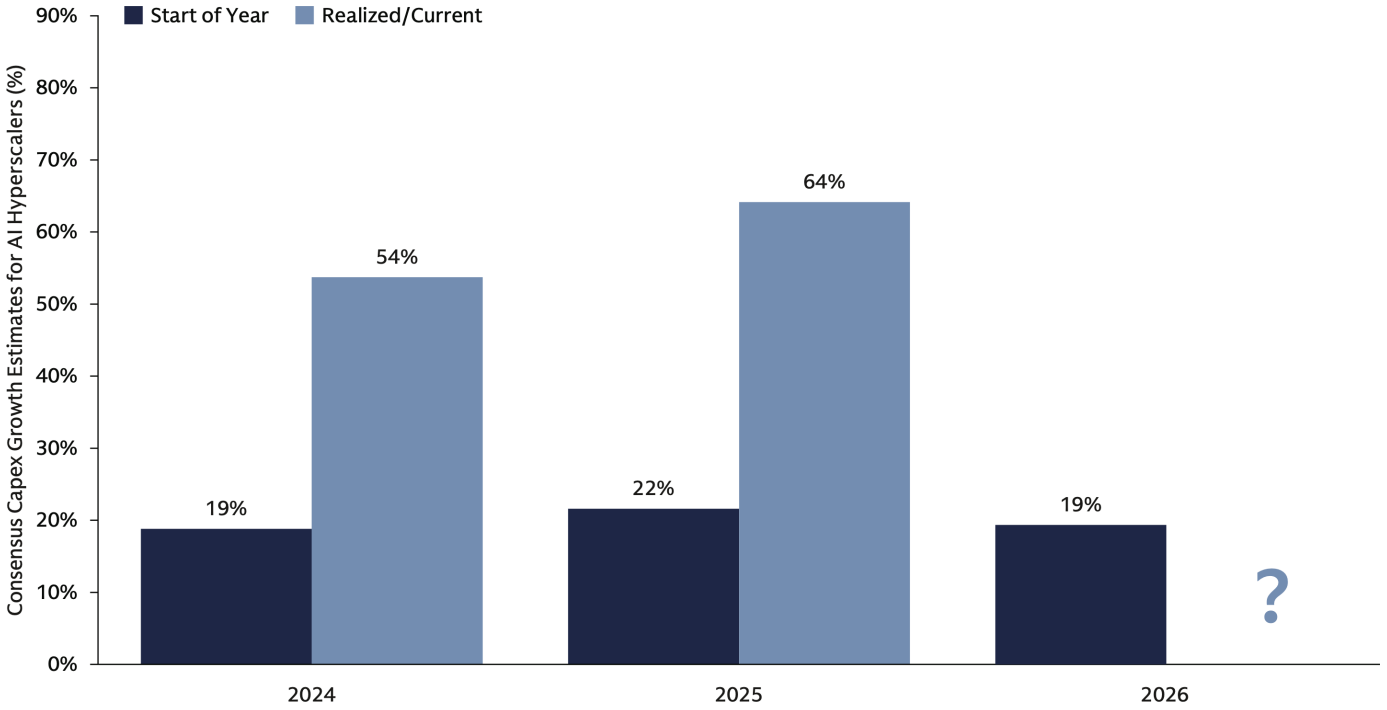
Looking ahead to 2026, the drivers of infrastructure returns are becoming more concrete and more durable. The power sector is entering a capital-intensive, multi-year build-out as AI, electrification, and industrial reshoring collide with aging grids and long development timelines. Supply remains highly constrained, elevating the value of existing, well-located assets—particularly dispatchable power, in-corridor pipeline capacity, and networks proximate to major load centers. Infrastructure returns in 2026 are more likely to be driven less by macro tailwinds and more by asset-level scarcity, pricing power, and the ability to deliver critical services in an environment where demand is real, urgent, and difficult to meet.

This environment increasingly favours actively managed infrastructure strategies like the Starlight Global Infrastructure Fund, which own businesses positioned to benefit from these dynamics.

How resilient is the Power-for-AI theme?

Despite recent market anxiety around the durability of AI leadership, the AI-power investment theme still offers substantial upside. The market has consistently underestimated AI-related capital spending for the past two years (refer to graph below), and the pace of investment continues to surprise to the upside. The scale of spending required to power AI workloads is unprecedented, and we believe the cycle is still in its early innings as hyperscalers compete aggressively to secure reliable electricity.

The market has underestimated hyperscaler AI capex for the past two years
Consensus capex growth estimates for AI hyperscalers



Sources: FactSet, Goldman Sachs Global Investment Research. As of October 17, 2025. Hyperscalers included: Amazon, Google, Meta, Microsoft, and Oracle.

Power availability is increasingly the binding constraint. This "time-to-power" bottleneck has already created meaningful winners such as our long-term portfolio holding, Bloom Energy, which remains extraordinarily well-positioned as a provider of fuel cells that can be deployed in as little as three to six months. The power bottleneck underscores a broader opportunity across the power value chain as customers prioritize speed, certainty, and reliability over theoretical optimization.

What makes this cycle different from prior technology booms is that it is no longer abstract or valuation-driven—it is physical, capital-intensive, and long-lived. Investment is flowing into data centers, power generation, grid infrastructure, and advanced manufacturing, tying entire industries to the outcome of the AI build-out. Unlike the dot-com era, where excesses were largely confined to equity prices, today's commitments are measured in multi-decade assets with real return requirements. As a result, return on invested capital is quietly re-emerging as a central question posed by investors.

This focus on speed, certainty, and dispatchability aligns directly with the Starlight Global Infrastructure Fund's emphasis on owning infrastructure assets that solve real-world supply constraints driven by actual demand rather than relying on speculative demand forecasts.

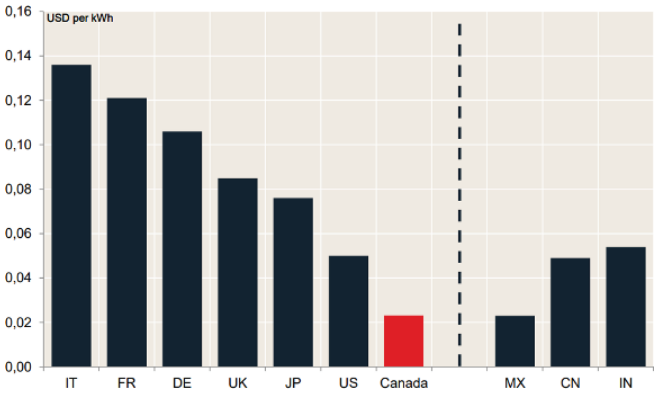
This shift creates a powerful opportunity for infrastructure providers that can deliver scalable, reliable, and dispatchable power while managing execution and capital discipline. AI customers are increasingly pragmatic, willing to accept trade-offs in sustainability or configuration in exchange for timely access to power that actually works. Solutions that check the most boxes—speed to market, reliability, flexibility, and durability—will command a premium. Bloom's fuel cell solution checks all these boxes. The next phase of the AI-power cycle will reward efficiency over excess, utilization over hype, and disciplined infrastructure over narrative-driven scale. For investors, this is where the most compelling risk-adjusted returns emerge: owning the physical backbone of AI at a moment in time when demand is real and competition for power is high.

Alberta: The Next Data Center Hub

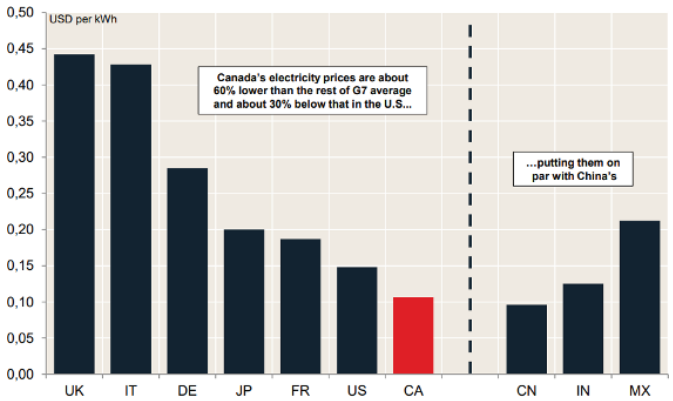
Alberta is emerging as a compelling destination for data center–driven power demand, with 2026 likely marking the transition from policy uncertainty to project execution. The province's value proposition is anchored by an abundant supply of low-cost natural gas that can deliver reliable, 24/7 power. While the governments at both the federal and provincial levels are showing a strong impetus to expand pipeline capacity to the coast, new egress capacity is not coming in the near-term, which reinforces the strategic importance of domestic demand for energy resources that cannot be exported.

This supply-demand imbalance is an attractive proposition for data center developers. Alberta's abundant energy resources combined with stifling federal regulation has resulted in Canada enjoying the lowest electricity prices in the G7 (refer to graph below), and among the lowest natural gas prices globally (refer to graph below), creating a structural cost advantage that few competing jurisdictions can match. Developer interest already reflects this advantage: there are 38 connection applications on the AESO project list representing more than 20 GW of requested data center load—far exceeding anything seen in other provinces and dwarfing Alberta's current base demand of roughly 10–11 GW. Cumulative data center connection requests on Alberta's electricity regulators' project list have risen from roughly 5 GW in mid-2024 to over 20 GW by Q3 2025 (refer to graphs below), highlighting sustained and significant interest from developers while associated new generon lags far behind.

Canada: Among the lowest Ngas prices in the world
Natural gas prices for businesses as of March 2025
(at market exchange rate)



Canada: Lowest electricity prices in rthe G7
Electricity prices for businesses, 2023-2025 average
(at market exchange rate)

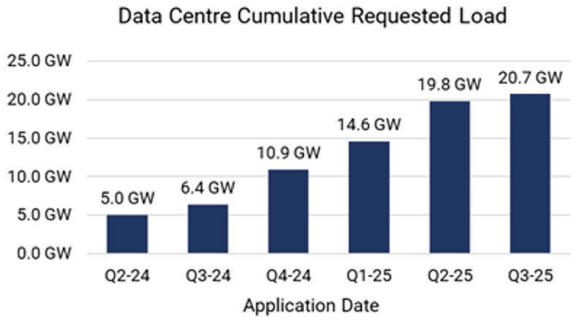


Source: NBC Economocs and Strategy (data via GlobalPetrolPrices.com).

Because the grid has limited near-term capacity, the next wave of AI development will be powered primarily by co-located, gas-backed, behind-the-fence generation for which very little capital is needed. Two of our holdings, Capital Power and TransAlta, have existing, gas-fired power generation units in their portfolio in Alberta that have been decommissioned. These units sit on large tracts of land with the requisite grid, water and fibre connectivity. They would be ideal co-location sites for data centers looking for attractive speed to market, low capital commitment and high return on invested capital.

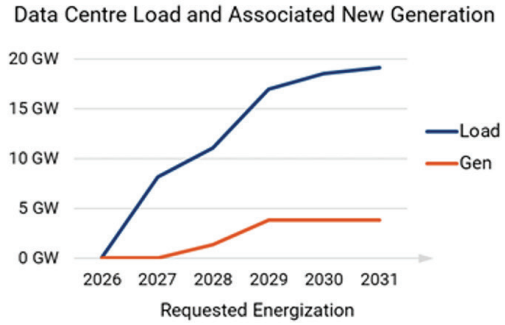
Data centres continue to apply

New and significant requests for connection continue to arrive, with over 20,000 MW of data centre load now on the AESO project list.



Load is outpacing generation

Data centres continue to request load service without matching generation, and new supply will be required to meet requested load growth.



Source: AESO.

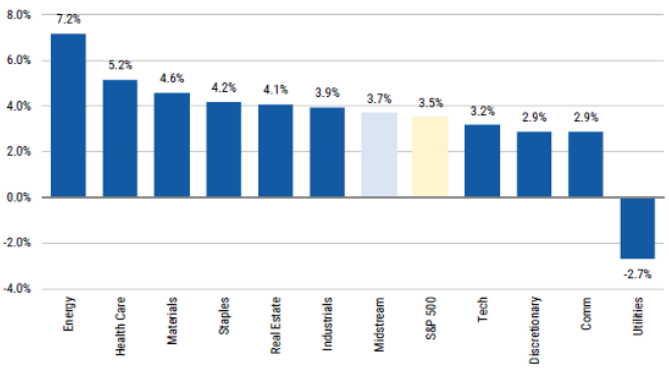
An Untenable Valuation Disconnect in Midstream

Following a strong 2024, when bullish sentiment and multiple expansion lifted many names, midstream performance cooled in 2025. Returns were more muted as tighter oil differentials, and weaker marketing margins weighed on earnings momentum just as investor attention shifted sharply toward growth-oriented sectors despite stable fundamentals and resilient cash flows. As a result, the Alerian Midstream Index declined by roughly 1% during the year, while the S&P 500 advanced 16.4%, driven by a risk-on environment dominated by AI-related themes and a relatively weak commodity price backdrop. This divergence reflects sentiment and capital allocation preferences rather than structural deterioration in the sector.

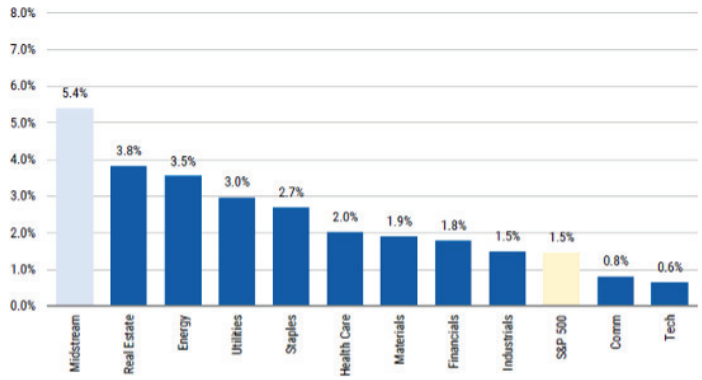
Midstream infrastructure plays a critical but underappreciated role in enabling the AI buildout by delivering the fuel that ultimately powers data centers and grid reliability. As AI-driven electricity demand accelerates faster than new generation can be built, natural gas is emerging as the marginal, dispatchable power source that can be quickly deployed at scale. Midstream assets (pipelines, processing plants, storage, and export infrastructure) are essential to moving incremental gas from basins like the Permian and Western Canada to power generation hubs, including behind-the-fence generation serving hyperscale data centers. With long-dated contracts, regulated or fee-based revenues, and high barriers to entry, midstream is the overlooked connective tissue of power systems.

Today, midstream equities trade at a meaningful discount to the S&P 500 (refer to graph below) despite offering higher free cash flow yields than the S&P 500 (refer to graph below) and the highest dividend yields of any major sector(refer to graph below). In our view, this valuation disconnect is untenable and mean reversion is highly likely to take place. This creates a compelling entry point for investors seeking durable income and downside protection, with the potential for upside as capital rotates back toward cash-generative infrastructure assets.

Free Cash Flow Yield by Sector



Dividend Yield by Sector



Source: Factset.

AMNA EV/EBITDA Premium/Discount vs. S&P 500, Since June 2018

Source: Bloomberg.

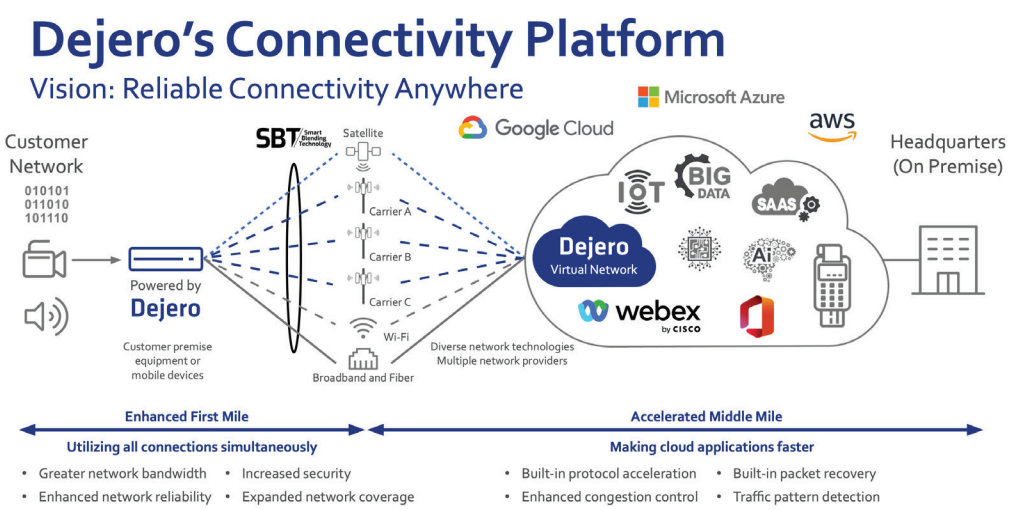
Catalysts for the Next Phase of Midstream Growth

Last year was relatively quiet for natural gas infrastructure project announcements and management teams are increasingly signaling that they are on the cusp of an acceleration in new long-term project awards. This next phase of growth is being driven by both demand-pull and supply-push dynamics. On the demand side, natural gas consumption continues to expand due to LNG export growth, AI power requirements, reshoring of manufacturing, electrification, and coal-to-gas switching. On the supply side, associated gas volumes from the Permian Basin are increasing, supported by rising gas-oil ratios and improved NGL economics, alongside greater vertical integration across the value chain. Importantly, high regulatory and permitting barriers are concentrating incremental investment into in-corridor expansions of existing pipeline systems, which are assets that are virtually impossible to replicate in most jurisdictions. As a result, the scarcity value of well-positioned pipelines proximate to demand centers, is becoming increasingly apparent after being underappreciated in the post-Covid market due to overly punitive terminal value assumptions.

Dejero

The largest position in the Starlight Global Infrastructure Fund is a direct private equity position in Dejero Labs. The position was initiated in April 2021.

Dejero is a Canadian emerging technology company based in Waterloo, Ontario. It specializes in enabling real-time critical communications applications by aggregating multiple wired (broadband, fiber) and wireless (3G/4G/5G & satellite) IP connections from multiple providers to form a virtual Dejero “network of networks,”. This “Smart Blending Technology,” enhances bandwidth, coverage, and reliability and is embedded in their GateWay 3220 compact network aggregation device introduced in July 2024.



Source: Dejero.

According to Verified Market Research, the critical communications industry is a total addressable market of approximately $20.5 billion (USD) and is projected to grow at an 8.25% CAGR through 2032.[1]

During our holding period, management has admirably grown recurring revenue. The board is exploring strategic options and has formally engaged with a technology-focused investment bank to help identify potential partners that can recognize the strategic value of Dejero's technology, installed base, and growing presence in Public Safety and Defense markets. As long-term shareholders of Dejero, we believe this is a measured approach that is consistent with our fiduciary obligations to our unitholders and welcome a thorough and well-considered assessment of potential outcomes.

Equity Markets are Expensive; Listed Infrastructure is Cheap

As we enter 2026, elevated equity valuations are tempering expectations for future returns, with many strategists suggesting that ten-year equity performance may struggle to outpace inflation. Market consensus seems to be a broadening out from a narrow group of AI winners to other sectors that have been 'left behind' in prior years. While that is certainly possible, there are also other plausible scenarios in which valuations continue to stretch further, increasing downside risk.

In contrast, global listed infrastructure trades at nearly a 20% discount to global equities, a gap not seen in the past two decades. Infrastructure also offers meaningful diversification from an AI-dominated market, supported by inflation-linked cash flows, structural demand tailwinds, and long reinvestment runways. From a valuation and portfolio construction perspective, the case for increasing exposure to global infrastructure is as compelling as it has been in many years.

Source: Bloomberg.

As we transition into 2026, we remain optimistic about the long-term potential of infrastructure. The bottleneck for the AI buildout is the availability of power so unprecedented investment is flowing into the build out of power generation and transmission infrastructure. We are well-positioned to capitalize on this growth and remain focused on building a portfolio of high-quality infrastructure assets that generate above-average returns for unitholders.

For investors seeking stable distributions, diversification, and exposure to the physical backbone of global infrastructure growth, the Starlight Global Infrastructure Fund offers a disciplined way to access these opportunities in 2026.

The Starlight Global Infrastructure Fund is a concentrated portfolio of 40 high-quality global infrastructure companies with a track record of increasing their cash flows and distributions annually. In 2025 the portfolio generated 34 distribution increases with an average increase of 13.6%. As at December 31, 2025, the ETF distribution yield was 4.82% and has been very tax efficient with 83.6% taxed as return of capital in 2024.

We invite you to partner with us in harnessing these opportunities in 2026.

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[1] Verified Market Reseach. Global Critical Communication Market Size By Technology (TETRA (Terrestrial Trunked Radio), LTE (Long-Term Evolution)), By End-User (Public Safety, Transportation), By Deployment Model (On-Premises, Cloud-Based), By Geographic Scope And Forecast.critical-communication-market/

Investment Management

Hisham Yakub, CFA
Senior Portfolio Manager, Infrastructure

Hisham Yakub joined Starlight Capital in February 2023 as Senior Portfolio Manager. He has over 10 years of experience in the investment industry.

Mr. Yakub most recently held a position with a boutique Toronto-based investment management firm as an Investment Analyst and Portfolio Manager. He also spent the first six years of his business career focused on developing software tools for portfolio management applications. He progressed through several roles across the industry and finished his pre-MBA career at CPP Investment Board.

Mr. Yakub holds the Chartered Financial Analyst and Financial Risk Manager designations and earned a Master of Business Administration from the Rotman School of Management at the University of Toronto in 2013 and an Honours Bachelor of Business Administration degree with a specialization in Information Systems from York University.

About Starlight Capital

Starlight Capital is an independent Canadian asset management firm with over $1 billion in assets under management. We manage Global and North American diversified private and public equity investments across traditional and alternative asset classes, including real estate, infrastructure and private equity. Our goal is to deliver superior risk-adjusted, total returns to investors through a disciplined investment approach: Focused Business Investing. Starlight Capital is a wholly-owned subsidiary of Starlight Investments. Starlight Investments is a leading global real estate investment and asset management firm with over 375 employees and $30B in AUM. A privately held owner, developer and asset manager of over 70,000 multi-residential suites and over 7 million square feet of commercial property space. Learn more at www.starlightcapital.com and connect with us on LinkedIn at www.linkedin.com/company/starlightcapital/

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