KEYNOTE INTERVIEW

The new supercycle





Public-private partnerships, rising institutional capital and AI-driven demand are creating a new era for North American infrastructure investment, argue IFM Investors' Tom Osborne and Andrea Mody

North America is entering a period of unprecedented demand for infrastructure. Ageing transportation networks, the emergence of AI, electrification and renewed focus on energy security are all increasing the need for investment at a pace that public funding alone cannot match. As governments explore new models to finance, modernise and expand critical infrastructure, partnerships with long-term institutional capital are playing an increasingly important role.

At the same time, institutional investors continue to demonstrate strong appetite, attracted by the asset class's potential for stable, long-term cashflows and its role in helping to address investor objectives such as portfolio resilience and inflation protection.

Tom Osborne, executive director at IFM Investors, and Andrea Mody, executive director, head of North America, clients and strategy at the firm, explore the trends reshaping infrastructure investment, from AI-driven demand and energy transition to the growing role of private capital in maintaining and modernising critical assets.

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Q Infrastructure is enjoying a purple patch among LPs. What's driving this demand?

Andrea Mody: Infrastructure is experiencing a particularly exciting period as US investors significantly increase allocations to the asset class. IFM's research, which surveyed 700 institutional investors globally, found strong expectations from North American investors for increased infrastructure investment over the next three to five years.

In the US, many pension plans and institutional investors are raising target allocations materially, creating a substantial pool of capital seeking opportunities. This surge is driven largely by investors' focus on portfolio resilience. As institutions reassess portfolio construction in a more complex market environment, many are increasing allocations to infrastructure as part of their long-term investment strategy. Infrastructure investments support essential services and sectors that remain generally vital during periods of economic disruption, including energy, transportation, utilities and defence.

Another important consideration is inflation. Many infrastructure assets operate within regulatory frameworks or contractual mechanisms that may

provide a degree of linkage between revenues and inflation, a characteristic that many investors find attractive.

At the same time, investors are increasingly reassessing portfolio construction and showing renewed interest in core infrastructure assets as they seek diversified sources of long-term cashflows and greater portfolio resilience amid ongoing market uncertainty.

Q How is infrastructure helping investors to balance resilience and growth amid economic uncertainty and geopolitical risk?

AM: Infrastructure provides access to a broad range of risk and return profiles, from highly defensive assets up to growth opportunities depending on investors' objectives.

The rise of digital infrastructure has created new opportunities to gain exposure to AI-related growth through assets such as data centres, often supported by long-term contracts with creditworthy counterparties. At the same time, traditional infrastructure remains essential as North America faces both expansion needs and significant maintenance requirements.

Many US infrastructure assets are owned by state and local governments and funded through municipal debt structures that are increasingly insufficient to address growing capital needs. Much of the infrastructure built after World War II now requires extensive reinvestment. For long-term institutional investors, this is contributing to a growing opportunity set across essential infrastructure sectors.

From a sector perspective, investors are finding opportunities across transportation, where ageing assets require substantial reinvestment; regulated utilities, where regulators seek to balance new investment with consumer affordability; power generation across renewable and conventional sources; transmission networks, which are critical for supporting increasing electricity demand; and businesses providing equipment and other hard assets that support infrastructure operations.

These sectors combine essential-service characteristics with long-term growth potential, allowing investors to pursue portfolio resilience while also accessing structural growth trends such as electrification, digitalisation and increasing energy demand.

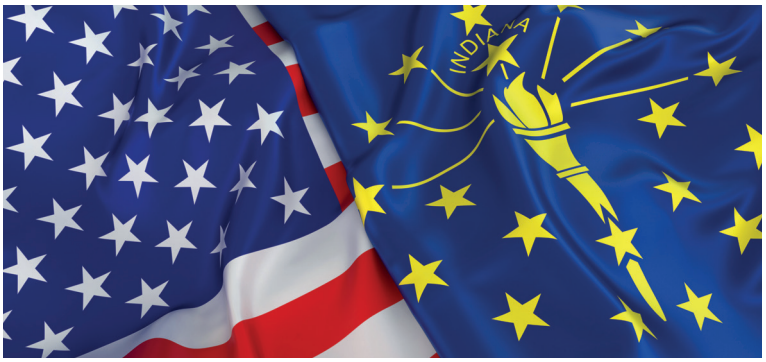
Q North America is pursuing decarbonisation, electrification and energy security. How are LPs weighing these competing priorities?

Tom Osborne: We don't view these objectives to be competing priorities. Decarbonisation and electrification are both important components of long-term energy security. Meeting rising demand from AI and economic growth will require an 'all-of-the-above' energy strategy that includes conventional and renewable power.

Investors are seeing a broad range of opportunities across energy, digital infrastructure, transportation and AI-related assets. Demand remains strong across these sectors, reflecting differing investor objectives and risk-return preferences.

AM: Geography influences how investors approach these themes. US investors have historically been comfortable investing in conventional energy because they understand the underlying revenue models and contractual structures. Meanwhile, Europe and Australia, which have focused heavily on renewables, have broadened their energy strategies in response to energy security concerns. Europe's efforts to diversify away from Russian gas supplies have demonstrated the need for a pragmatic transition.

The result is a growing recognition that decarbonisation will take time and



Q What does a successful partnership between government and private capital look like on a practical basis?

TO: The Indiana Toll Road is a strong example of successful collaboration between government and long-term institutional investors. Since acquiring the concession in 2015, IFM-managed funds have invested more than $1 billion in upgrades, including pavement improvements, bridge rehabilitation, technological enhancements and safety initiatives.

The project demonstrates how private capital can support long-term asset stewardship while improving the user experience and safety outcomes. In 2018, shareholders also agreed on a further investment arrangement with the Indiana Finance Authority that generated approximately $1 billion for statewide infrastructure improvements.

The key lesson is that well-designed PPPs can simultaneously unlock capital for governments, improve infrastructure quality and support sustainable long-term investment strategies.

that achieving sustainability objectives while maintaining energy reliability and affordability remains essential.

Q How can public-private partnerships close the gap between North America's infrastructure requirements and government funding?

TO: North America is facing a major infrastructure investment challenge driven by ageing assets, population growth, technological innovation and the rapid expansion of AI. While much of the investment in energy and digital infrastructure is already being funded privately, transportation assets such as roads, ports and airports remain largely government owned. This is where PPPs can be transformative.

The challenge is not a lack of investor interest but a shortage of investable opportunities. PPPs, asset recycling programmes and innovative procurement models can unlock existing assets, channel capital into new projects and expand the infrastructure investment pipeline. They are gaining attention because public funding alone cannot close the infrastructure gap, while long-term investors are increasingly attracted to transportation assets for their essential service characteristics, long-term cashflows and, in some cases, inflation-linked revenue frameworks.

Beyond financing, PPPs can help improve project delivery by transferring risk, introducing private-sector efficiency and encouraging innovation. As infrastructure systems become more complex and interconnected, successful partnerships often depend on combining long-term capital with the expertise needed to assess risk, manage assets and deliver outcomes over the long term.

Q How can PPPs, asset recycling programmes and other procurement models help create more investable opportunities in North America?

TO: PPPs help governments attract private capital while allowing scarce public resources to be redirected towards other priorities such as manufacturing, education and economic development. Asset recycling extends this concept by unlocking value from existing infrastructure rather than focusing solely on new projects.

For example, governments can lease airports or toll roads to private investors while retaining oversight through operating standards. Lease proceeds can then be reinvested into new infrastructure, while private investors can generate value through the operation and improvement of essential assets.

IFM's US policy blueprint proposes measures to expand this approach. One recommendation is a federal incentive programme that rewards states and municipalities for attracting private investment into existing infrastructure and reinvesting proceeds into new projects. Another proposal is to reform regulations requiring the retirement of tax-exempt debt when PPPs are established. Relaxing these rules would reduce transaction costs and make partnerships more attractive. Together, such changes could unlock additional infrastructure investment and improve outcomes for communities and taxpayers.

Q Where do you see the strongest alignment between public infrastructure priorities and investor objectives?

AM: Investor demand for infrastructure is strong, but policy reforms are needed to unlock greater private sector participation. Many barriers are rooted in outdated regulations. For example, the US has very few privately operated airports due in part to legacy financing rules that make partnerships difficult to implement.

Investors also value policy certainty. Frequent shifts in regulatory priorities can create uncertainty around long-term investment decisions. Although global investors remain attracted to North America's AI and infrastructure opportunities, clear and stable policy frameworks help improve confidence and encourage long-term capital deployment.

Despite the short-term volatility, institutional investors continue to take a long-term view, however. Their focus remains on structural investment opportunities that can support resilient value creation over decades. While greater policy consistency would be beneficial, investors recognise that uncertainty is a recurring feature of the market and must be managed rather than avoided.

Q What will be the defining infrastructure investment trends in North America over the next five to 10 years?

TO: We expect the most significant trend to be AI and the infrastructure required to support it, including data centres, power generation, transmission networks and water infrastructure. Beyond AI, major themes include the onshoring of manufacturing and critical minerals, supply chain upgrades, increased defence-related investment and greater reliance on private capital to meet public infrastructure needs.

PPPs are likely to become increasingly important, especially in transportation. Compared with Europe and Asia, the US still uses PPPs relatively sparingly, leaving substantial room for growth and greater private sector participation.

AM: Another emerging discussion is affordability. Public attention is increasingly focused on the cost of essential services such as electricity, water and transportation. Demand for power is growing faster than supply, driven not only by data centres but also by broader electrification trends. As a result, affordability and resource management are becoming central considerations for infrastructure investors, policymakers and communities as they seek to balance growing demand, infrastructure investment requirements and long-term resilience. ■