

KEYNOTE INTERVIEW

Infrastructure debt showcases its resiliency



*As the broader private credit market faces its first sustained stress test in years, IFM Investors' **Matthew Wade** explains why infrastructure debt remains attractive for investors*

At a time when the broader corporate private credit market is facing rising default rates, geopolitical uncertainty and structural liquidity pressures, tangible asset backing, structural amortisation and high barriers to entry are ensuring that infrastructure debt remains an appealing option for many investors. Matthew Wade, executive director of infrastructure debt at IFM Investors, discusses how stress appears to be a growing influence on private credit more generally, the intersection of AI-driven power demand and deglobalisation as well as how the shifting energy policy landscape is creating a new frontier for senior secured lending.

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Q What trends and opportunities are you seeing within infrastructure credit today?

Infrastructure credit benefits from structural momentum, supported by the growing need for private capital to finance essential assets and infrastructure lending in new sectors. The long-term forces driving this momentum are digitalisation, decarbonisation, deglobalisation and shifting demographics, as well as government fiscal constraints globally.

These trends are broadening the definition of infrastructure beyond traditional transport and power into data centres, fibre, renewable generation and utility-scale storage – assets that support energy resiliency and security. A key theme we see today is the intersection of digital infrastructure and power. AI, cloud computing and exponential data growth are driving significant electricity demand, which is creating lending opportunities around generation, grid upgrades, storage and clean power.

The scale of this build-out is leading sponsors and borrowers to access a broader range of liquidity sources, providing institutional lenders with

a growing opportunity set. While the underlying asset mix may evolve, we continue to focus on consistent, cash-yielding downside risk management and resilience, and inflation-linkage with the aim of providing clients with diversified portfolios. Ultimately, infrastructure credit remains a core component of private credit portfolios, particularly for institutional investors seeking income with exposure to long-term growth themes.

Q Have you seen any evolution in the typical investor approach to senior secured lending?

Senior secured lending remains the foundation of our infrastructure credit approach. This focus remains central to our approach because the defensive characteristics often associated with the asset class are derived from real asset collateral, contracted or regulated revenues, covenants and lender protections. The objective remains capital preservation and seeking to provide risk-adjusted income, rather than moving up the risk curve in pursuit of higher yield.

What has evolved is the breadth of opportunities available to infrastructure lenders. As the market has matured, borrowers and sponsors are increasingly asking for bespoke capital solutions. These include senior secured loans, unitranche structures, subordinated debt, hybrid capital and platform-level financings.

These opportunities can be attractive where they're supported by essential service assets, more predictable cashflow profiles, strong sponsor alignment and appropriate structured safeguards. We look at these transactions opportunistically, but the key distinction is discipline.

We continue to apply our core underwriting principles even as we expand into next-generation infrastructure opportunities, such as those supporting the energy transition. While senior secured lending remains core, additional structural flexibility may



Q Given recent changes in energy policy, have you observed any impact on energy transition opportunities?

Recent energy policy changes across various markets have introduced additional near-term uncertainty, but they have not undermined the long-term thematic opportunity around the energy transition. The opportunity set remains supported by structural demand for electrification, power generation, grid modernisation and utility-scale storage.

Importantly, demand is increasingly being driven by private sector needs rather than just decarbonisation policy. The significant power requirements linked to AI, cloud computing, data centres and industrial nearshoring are creating an additional source of demand. Policy fluctuations do affect timing, including tax incentives and permitting – particularly in sectors like offshore wind. This increases the importance of lenders being selective, with greater emphasis may be placed on contracted revenues, sponsor quality, project readiness, grid interconnection access, curtailment risk and merchant power exposure.

Higher-quality opportunities are typically those with visible cashflows, creditworthy counterparties and clearly defined sources of demand. We continue to see opportunities across renewables, battery storage, distributed generation, grid infrastructure and the repowering or refinancing of ageing renewable assets. The policy environment may alter the pace and shape of specific projects, but the underlying requirement for reliable, affordable and lower-emissions power remains unchanged.

be utilised where risks are considered to be well understood, appropriately priced and structured with protections.

Q Is there any stress in sectors adjacent to infrastructure debt, such as private credit?

Admittedly, we're seeing signs of rising stress in the broader private credit market, particularly within corporate direct lending strategies. Data from Fitch Ratings indicates that stress is becoming increasingly visible: private credit default rates

rose to approximately 5-6 percent in early 2026 – significantly above levels observed in the 2015-21 period.

In the spaces where stress appears to be rising, underwriting is more dependent on company earnings, refinancing conditions and sponsor behaviour. The rapid growth of the broader private credit market has increased competition, which has led to compressed spreads and, in some cases, weaker lender protections. We're observing dispersion between stronger, asset-backed strategies and more cyclical corporate credit exposures.

Infrastructure debt is a distinct, differentiated sub-asset class within private credit, generally. It's not simply a lower-risk version of corporate direct lending. These distinctions are becoming increasingly critical in the current environment. While the broader corporate private credit market is showing stress through higher defaults, weaker documentation, increased payment-in-kind usage and structural liquidity mismatches, infrastructure debt can offer a point of contrast, with tangible collateral, covenant protections, structural amortisation and dedicated reserve accounts.

Widely cited historical data from Moody's suggests that infrastructure debt has exhibited lower default rates and lower loss-given-default (LGD) rates compared to non-financial corporate debt. Corporate private credit may offer higher headline yields on paper, but over the longer-term infrastructure debt has historically returned resilient risk-adjusted income, lower correlation to economic cycles and greater downside risk mitigation characteristics. While infrastructure debt may not be entirely immune to macroeconomic risks, the presence of essential assets, regulated or contracted revenues, tangible collateral and covenant packages, has historically supported higher recovery rates. For investors, this means it can serve as a defensive complement within their broader private credit allocations.

Q Are private markets investors' return expectations changing?

Return expectations have become increasingly differentiated across private markets. Infrastructure is now often viewed as an asset class that can offer both defensive characteristics and growth-oriented allocations. Our own research points to infrastructure debt return expectations rising from roughly 7.9 percent to 9.6 percent in response to this shifting environment. As such, some investors are selectively

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moving into core-plus, value-add and sub-investment-grade strategies. While these strategies seek higher returns, they remain fundamentally anchored by the defensive infrastructure characteristics outlined earlier.

The key takeaway is that institutional investors are not simply pursuing headline returns for the sake of it. They're seeking optimised risk-adjusted outcomes. They're looking to capture higher base rates, alongside structural liquidity and complexity premiums, to enhance total portfolio yields. As a result, manager selection and underwriting discipline have become increasingly important. The potential for risk dispersion between different strategies and managers to widen over time is increasing.

Q How are geopolitical developments influencing infrastructure credit markets?

Geopolitical developments are having a notable, two-sided impact on the infrastructure credit markets. In the near term, geopolitical volatility can increase uncertainty around global supply chains, construction costs, tariffs and commodity prices. As a lender, this requires a higher level of scrutiny regarding

transaction timelines, financing costs, capital expenditure contingencies and the financial standing of sponsors and EPC contractors. Conversely, these same geopolitical events are reinforcing the strategic importance of infrastructure. Deglobalisation, energy security, digital sovereignty and supply chain resiliency are driving increased domestic demand.

In today's environment, including recent periods of volatility, infrastructure debt can support portfolio resilience by providing direct exposure to essential, cash-generating assets that may exhibit predictable demand and high barriers to entry. These characteristics may support borrowers' ability to maintain pricing power and offer a degree of resilience in inflationary environments. At the same time, these project structures typically incorporate features such as cash reserves and liquidity support features, providing an additional layer of structural safeguards designed to help mitigate macroeconomic volatility and downside risks.

This is why we remain positive on infrastructure credit. The secular, long-term trends of digitalisation, decarbonisation and deglobalisation are creating a significant pipeline of both greenfield investments and refinancing opportunities, alongside asset recycling. While sectors like digital infrastructure and data centre lending are rapidly evolving, we're applying our time-tested core lending principles to seek to provide clients with exposure to secured, cashflowing assets.

Looking further ahead, we expect to see commercially established but newly scalable technologies move into the mainstream credit market, which may expand our addressable opportunity set. We're currently observing greater product innovation and structuring sophistication within infrastructure financing itself, which is designed to support the liquidity required for the growing scale and complexity of global infrastructure projects still much needed around the world. ■