IFM Investors

Private Markets 700

The global investor barometer

Year Two

2025

An era of expanding possibilities

About IFM Investors

IFM Investors is a global asset manager, founded and owned by pension funds, with capabilities in infrastructure equity and debt, private equity, private credit, real estate and listed equities. Our purpose is to invest, protect and grow the long-term retirement savings of working people.

With assets under management of AUD233 billion (as at 30 June 2025), we serve over 750 institutional investors worldwide. IFM operates from 13 offices across Australia, Europe, North America and Asia.

Contents

David Neal
Chief Executive Officer,
IFM Investors

Foreword

I am pleased to present IFM Investors' second annual Private Markets 700 Report, which provides a window into how institutional investors around the world view and approach private markets.

This year's edition builds on the strong foundation of our inaugural report and reflects the views of 714 senior investment professionals, representing pension funds, endowments, foundations, wealth managers, and leading investment consultants.

We believe research efforts like this bring us closer to our clients by helping us better understand their evolving needs and priorities. These insights not only inform how we engage, but also deepen our alignment with their goals. Indeed, our connection to institutional investors is founded on our origins and ownership. As a firm established by and still owned by pension funds, we share a unique alignment of purpose and long-term perspective with our clients.

Perhaps today, more than ever, private markets are playing a prominent role in investment conversations—and with good reason. With volatility seemingly around every corner—tariff uncertainty, geopolitical tensions, and shifting interest rates all pose potential disruptions to portfolio performance.

Against this backdrop, investors are interested in the potential roles served by the broader private markets asset class, which includes infrastructure equity and debt, private equity, private debt, and real estate.

This year's PM700 research highlights two key drivers that are shaping investor interest in private markets: the desire to mitigate risk and the pursuit of stronger long-term returns. For many institutional investors, private markets offer a way to smooth performance during times of public market stress, while also accessing opportunities that can outperform over time. This is especially relevant as investors pursue higher returns from private markets while navigating a complex macroeconomic environment that calls for both defensiveness and strategic growth.

As the private markets landscape continues to evolve, we thank all participants for contributing their insights to this year's Private Markets 700 research.

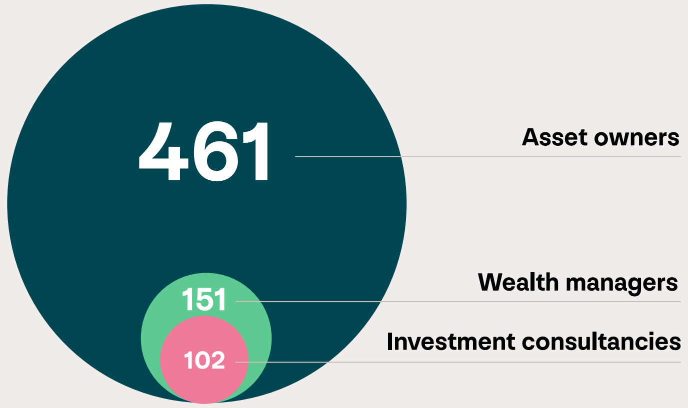
Introduction

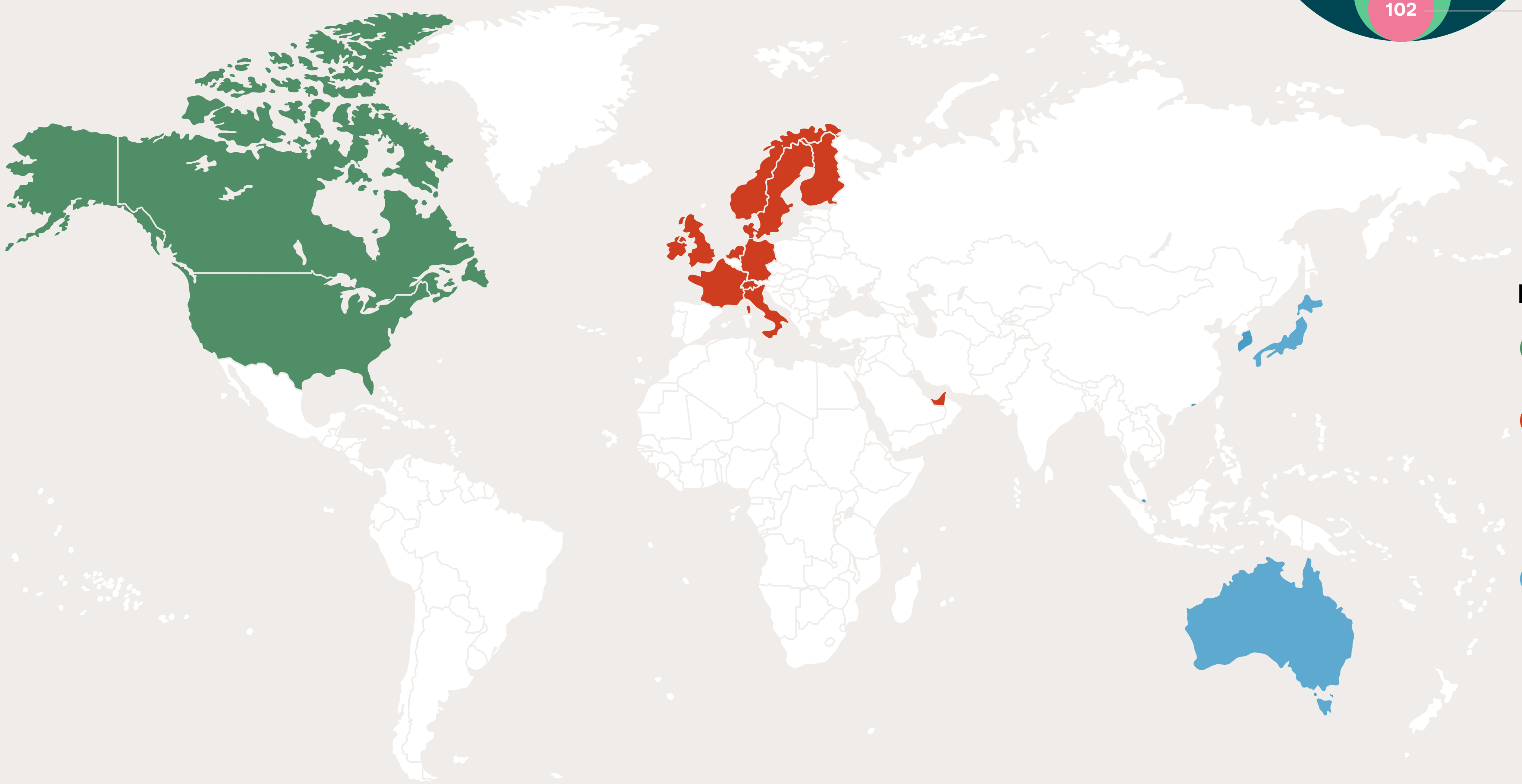
In 2025, investors continue to recognise that private markets are central to managing risks and capturing long-term value. This year's Private Markets 700 study reveals an increasingly sophisticated approach to investing in private equity, private debt, infrastructure equity and real estate. There is also strong enthusiasm for digital assets and for Europe as an investment destination.

Investors expect more tailored, flexible private market solutions that reflect market realities. This report aims to identify what private assets will need to deliver to continue to meet investors' needs in a fragmented financial ecosystem and geopolitical landscape.

About our research and barometer

In April and May 2025, on behalf of IFM Investors, FT Longitude surveyed 714 senior investment professionals from asset owners (461), wealth managers (151) and investment consultancies (102), including 43% at C-suite level.





Respondents were based in

- **North America**
  Canada, US
- **EMEA**
  Denmark, Finland, France, Germany, Italy, Ireland, Netherlands, Norway, Sweden, Switzerland, UAE, UK
- **APAC**
  Australia, Hong Kong, Japan, Singapore, South Korea

We also spoke to the following experts, and we thank them for their time and insights:

Deepa Bharadwaj
Head of Infrastructure, Europe, IFM Investors

Carlos Borromeo
CIO, Arkansas Public Employees Retirement System

Ioannis Galetsas
Head of Illiquid Assets, Zurich Insurance Company Ltd

Hubert Hwang
Principal, Convyta Partners

Yoshisuke Kiguchi
CIO, Pension Fund of Japanese Corporations

Roger Knott
Acting Head of European Real Assets, AustralianSuper

Luba Nikulina
Chief Strategy Officer, IFM Investors

Richard Randall
Global Head of Debt Investments, IFM Investors

Daniela Silcock
Founder, Pensions Research

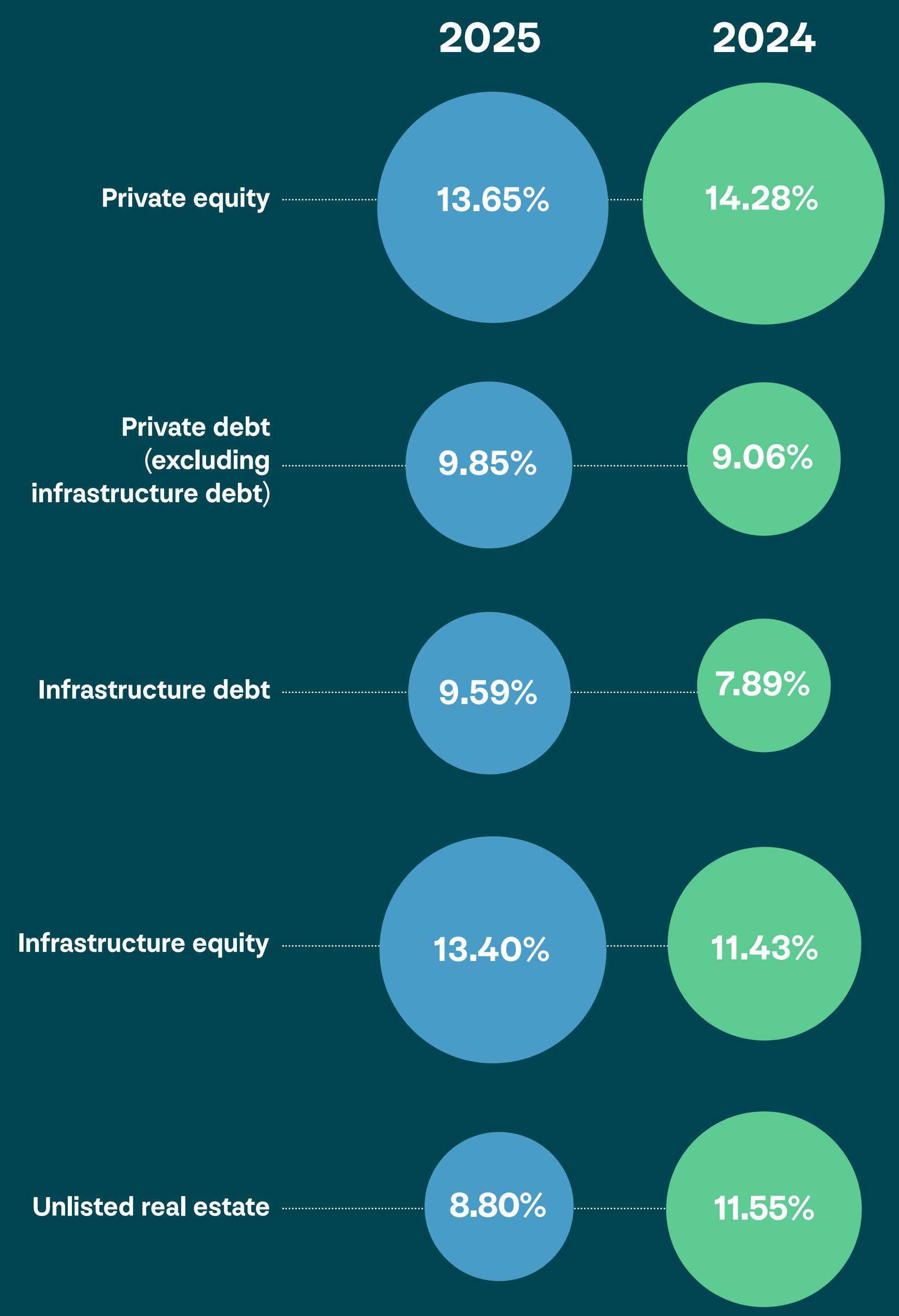
Alan Synnott
Global Head of Real Assets, Mercer

David Whiteley
Global Head of External Relations, IFM Investors

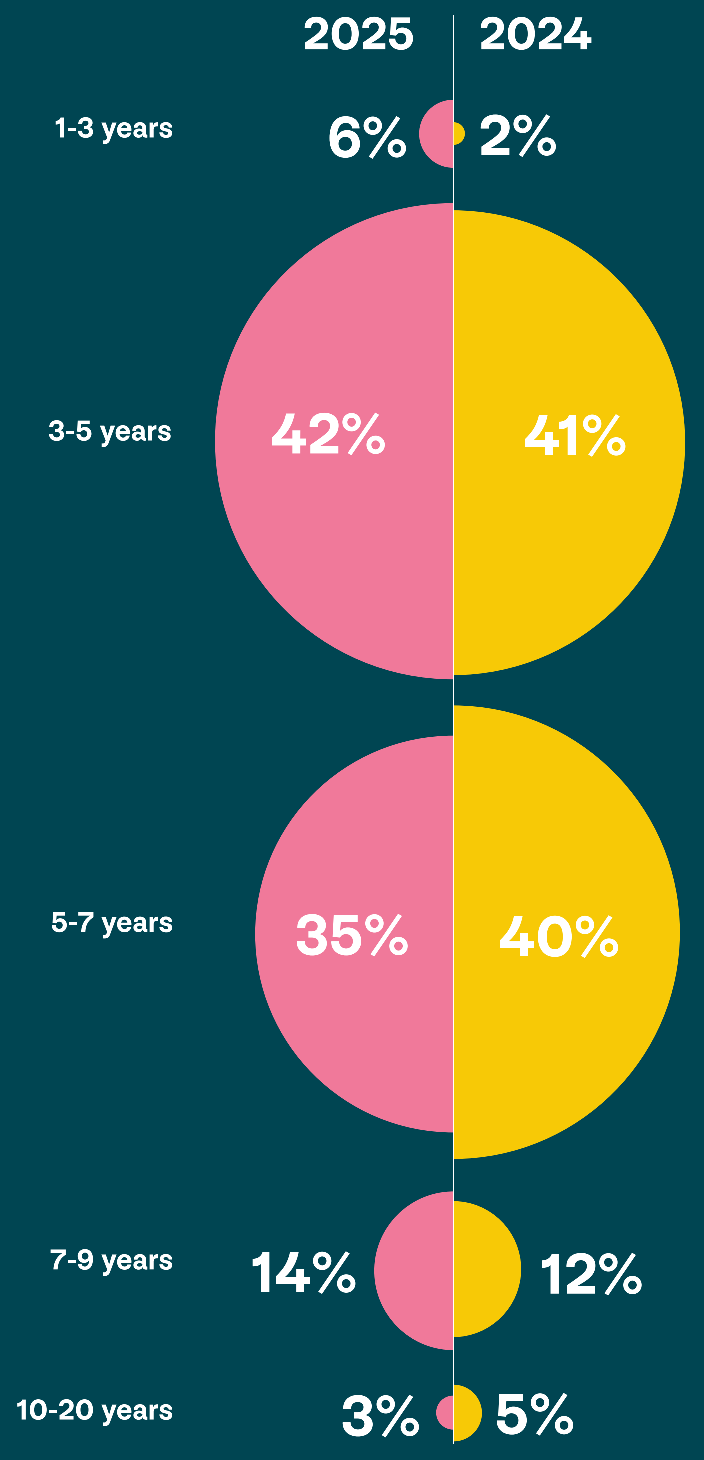
Barometer at a glance

Our Private Markets 700 Barometer is based on an annual survey comprising approximately 20 questions. These may vary somewhat from year to year, however we will consistently track the following four measures.

01 Average net returns expected from private markets (2025/2024)



02 Institutional investors' holding periods for private market investments



Barometer at a glance (continued)

03 Main rationales for investment in infrastructure equity and debt

2025

Equity	46% Increase returns	43% Manage risk	39% Exerting influence on assets
Debt	45% Manage risk	40% Illiquidity premium	38% Advocacy from beneficiaries or members*

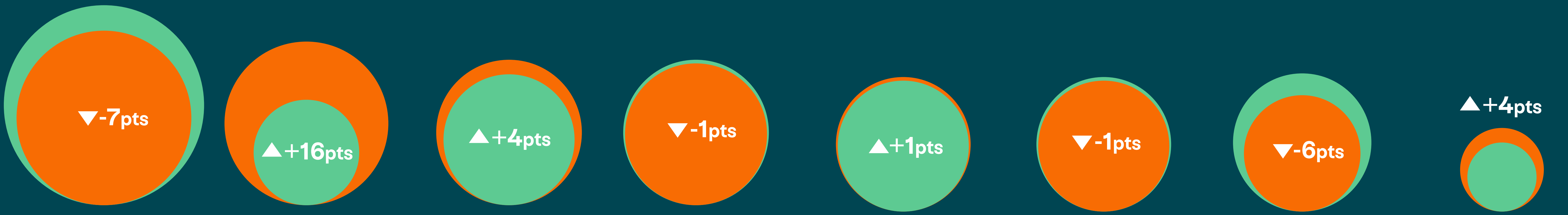
2024

Equity	41% Increase returns	40% Manage risk	39% Illiquidity premium
Debt	45% Illiquidity premium	43% Manage risk	37% Advocacy from beneficiaries or members

* Having a greater direct influence on the energy transition came in at same amount

04 Sustainability considerations most heavily influencing investment in infrastructure equity and debt

2025
2024



Increased social equality
2025: 48%
2024: 55%

Energy efficiency
2025: 45%
2024: 29%

Carbon emissions
2025: 40%
2024: 36%

Benefit local communities
2025: 39%
2024: 40%

Climate resilience
2025: 37%
2024: 36%

Impact on biodiversity
2025: 36%
2024: 37%

Resource intensity
2025: 32%
2024: 38%

Economic growth
2025: 23%
2024: 19%

PART I

Private markets are evolving as a portfolio anchor

Fears related to geopolitical shocks and macroeconomic uncertainty are prompting institutional investors to rethink investment strategies and explore alternative assets.

During market stress, prices of public market assets can become distorted and volatile, with equities and bonds moving in tandem. Equities have been volatile since the Liberation Day tariff announcements in April 2025, and it could be argued that markets aren't pricing risk adequately. At the same time, bonds are offering less protection to investors than they have historically.

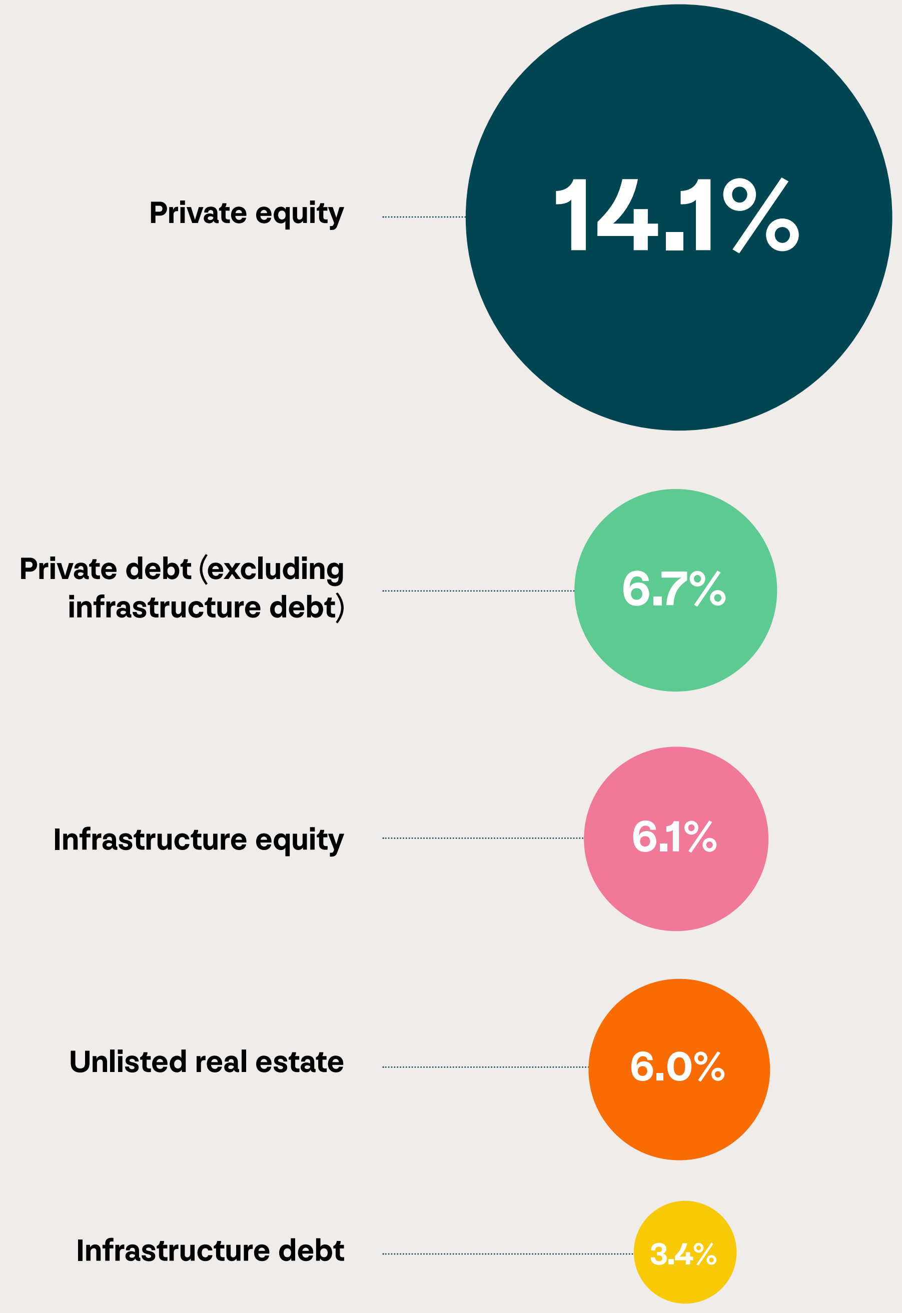
These distortions have raised doubts about traditional methods of spreading risk, indicating that some investors are turning to private markets for genuine diversification and growth potential.

One third and rising

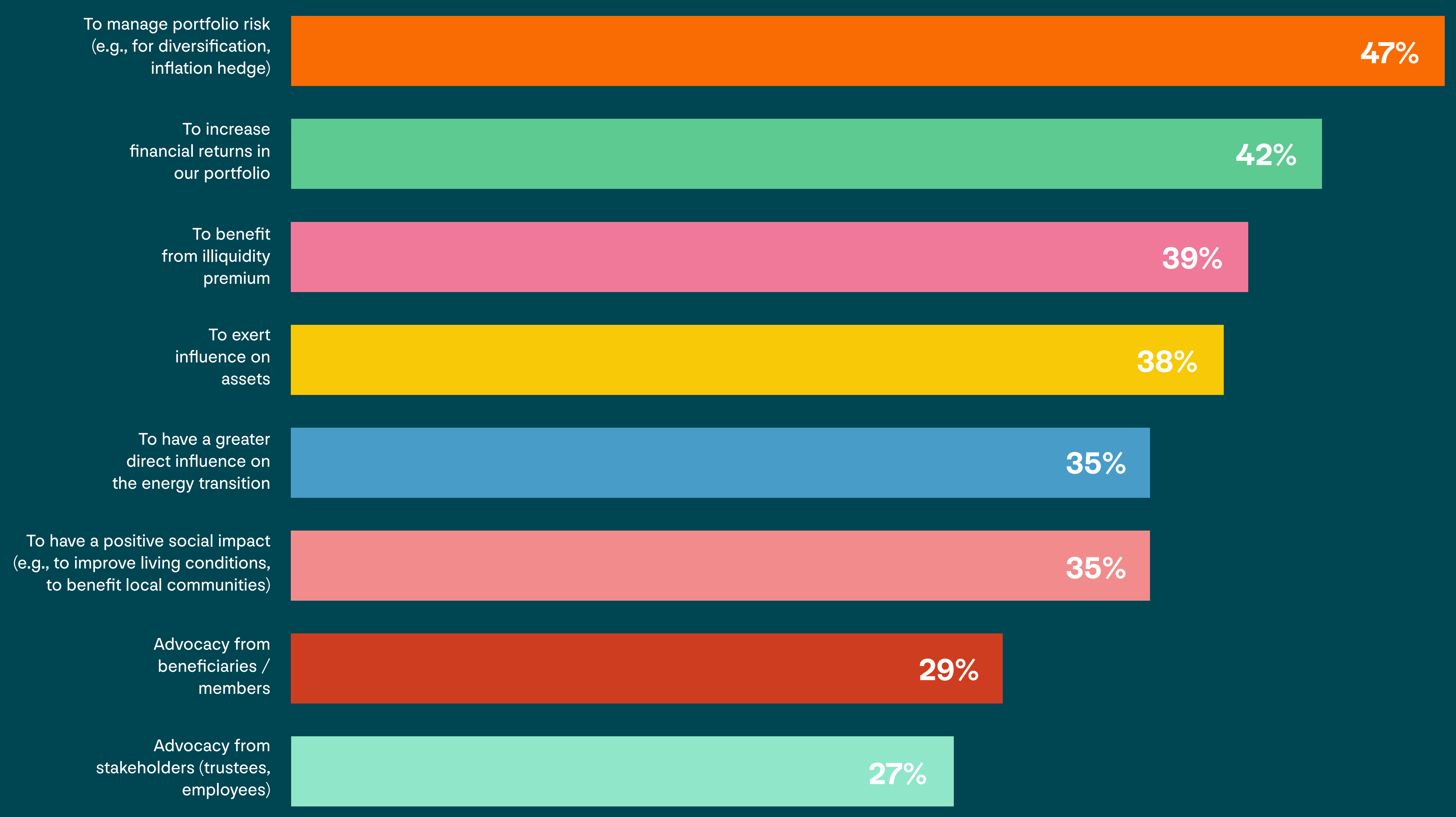
Across all major regions in our study, investors allocate a significant share of their portfolios to private markets, making them a core component of their overarching investment strategy.

Currently, over a third of investor portfolios are allocated to private market investments, with planned allocations rising slightly over the next three to five years. The 2025 research indicates that the five major private market asset classes – private debt, unlisted real estate, infrastructure debt and equity and private equity – continue to be mainstays in institutional investment portfolios.

Private markets make up more than one third of portfolios



Primary reasons to invest in private markets



Risk management and higher returns are key drivers

Risk management is the biggest driver of private markets investing, with nearly half of investors citing diversification, inflation hedging and resilience as their principal reasons for allocating to private markets.

"I believe most of our clients recognise that they have too much economic risk in their portfolios," says Hubert Hwang, Principal at Canadian investment consultancy, Convyta Partners. "So, they're looking at ways to diversify and private markets fit that bill."

The impact of geopolitical and macroeconomic megatrends

It appears that increasing geopolitical tensions, supply chain disruptions and rising protectionism have exposed vulnerabilities in traditional asset classes. Many institutional investors see de-globalisation and shifting geopolitical power dynamics as the megatrends most impacting asset allocation decisions.

> **Investors are looking at ways to diversify and private markets fit that bill.**
>
> **Hubert Hwang**
> Principal, Convyta Partners

In response, 42% of investors surveyed are turning to private markets seeking higher returns, 38% for greater control over their assets, and 35% to contribute to the energy transition and generate positive social outcomes.

Stagflation appears to be an ongoing concern for investors, reflecting anxieties about fiscal policy and a fragmenting global order. A Bank of America Merrill Lynch Fund Manager survey conducted in April 2025, the same time as our research was being conducted, revealed that 30% of respondents expected global inflation to rise further, while 59% expected the global economy to weaken over the next 12 months.[1]

In this context, we believe private markets have the potential to offer more than just strong risk-adjusted returns. They may also play a defensive role that could contribute to diversification when public markets become overly correlated. Some private market asset classes can also provide an inflation hedge: for example, commercial real estate and infrastructure revenues can have explicit inflation-linked escalators or implicit real returns through regulation.

It is a commonly held belief that private market assets offer material diversification benefits for investors. We attribute this to their inherent characteristics, which can either shield portfolios from or capitalise on economic cycles and macroeconomic shifts such as inflation. Investors have the flexibility to tailor their private market exposures in ways that complement their public holdings, and in alignment with their individual risk tolerance and liquidity requirements.

This adaptability extends across short- to medium-term economic cycles, as well as longer-term megatrends. Specific asset classes and investments can be used to harness thematic drivers that influence both capital flows and performance over time.

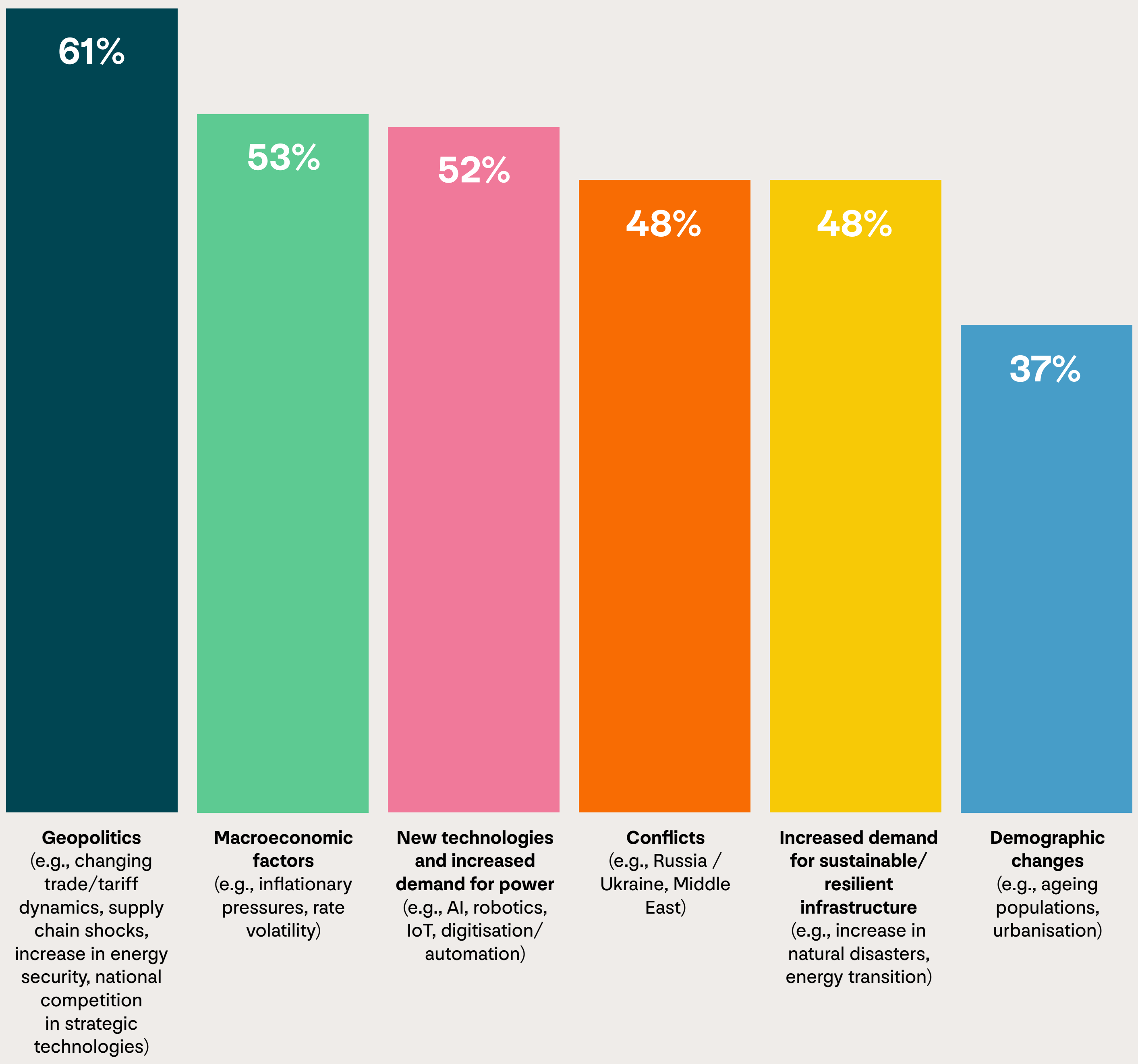
Funding new technologies and the energy transition

Around half of investors view new technologies and the resulting increased demand for power to support new technologies (52%) and sustainable and resilient infrastructure (48%) as impactful megatrends.

“In the past couple of years, we’ve seen significant interest in major themes and megatrends such as the power and energy transition and the build out of digital to encompass a more connected world,” says Alan Synnott, Global Head of Real Assets at Mercer.

Through private equity, private debt and infrastructure funds, investors can fund climate-resilient assets, renewable energy and grid modernisation projects, and the data centres required by advanced technologies such as AI. By combining allocations across these three private market strategies, investors can gain full lifecycle exposure to these transformative megatrends.

Geopolitical and macroeconomic concerns are top of mind for private market investors



Percentage of respondents who ranked a megatrend as one of the top three most impactful on their private market investments

[1] https://business.bofa.com/en-us/content/global-research-about.html (paywall)

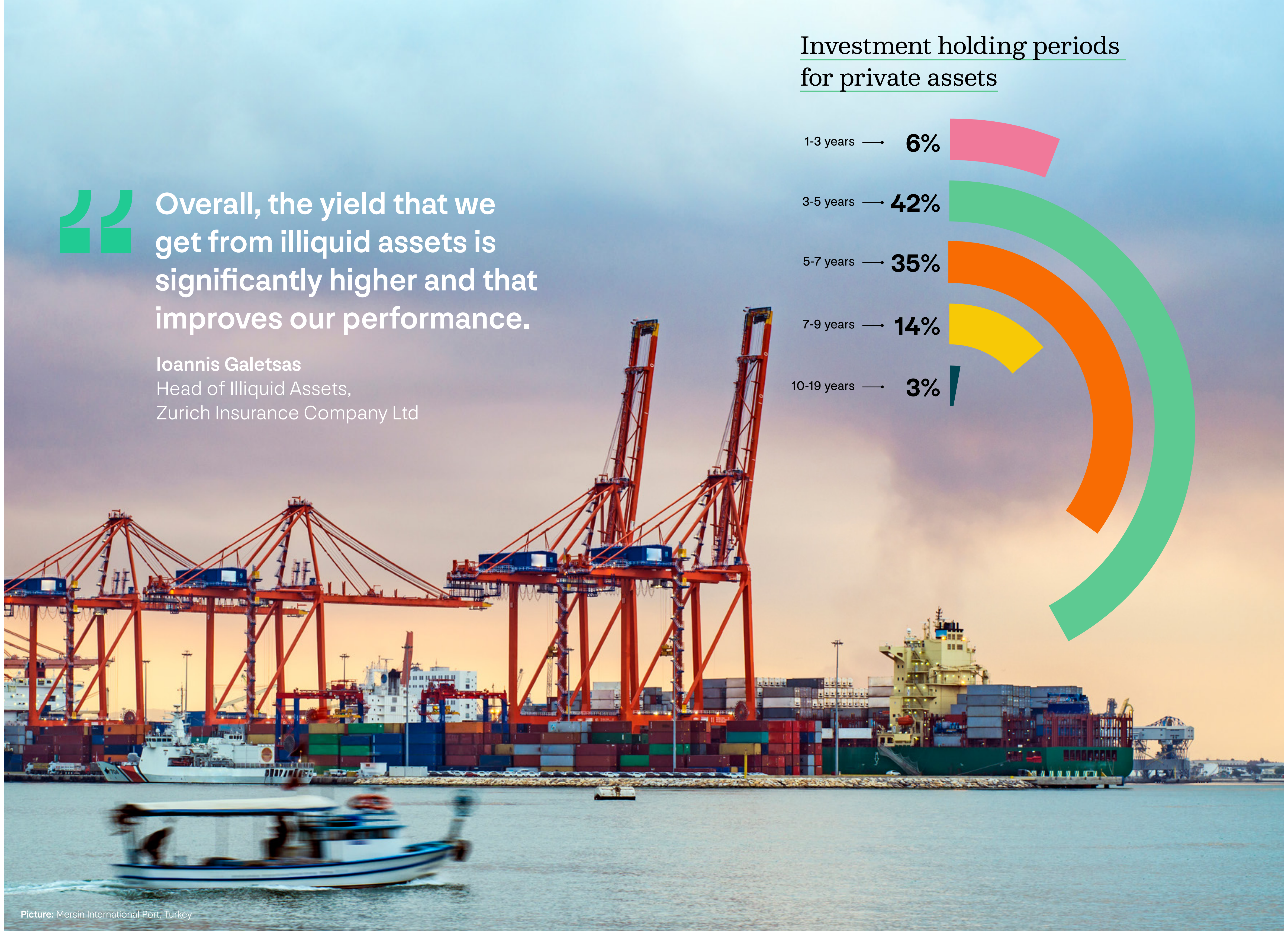
Private assets offer long-term value

Diversification is also about returns. We believe private assets have the potential to offer access to earlier-stage growth and yields that are beyond those of their public counterparts. Many investors appear to be increasing their private market allocations with the goal of offsetting overexposure to the financial risk of listed equities. By tapping into more complex, illiquid assets, investors can unlock the potential for return premia typically unavailable in public markets.

“Private assets provide an illiquidity premium that we can gladly absorb, and there’s also sometimes a complexity premium,” explains Ioannis Galetsas, Head of Illiquid Assets at Zurich Insurance Company Ltd. “Overall, the yield that we get from illiquid assets is significantly higher and that improves our performance.”

Our 2025 research finds that most investors remain committed to private market positions for more than five years, underlining the strategic nature of these allocations.

“This long-term investment strategy is central to our approach,” says Yoshisuke Kiguchi, Chief Investment Officer of the Pension Fund of Japanese Corporations, “which is why we place a significant emphasis on private assets.”



Picture: Mersin International Port, Turkey

Investors are raising the bar

Within private market asset classes, net return expectations have shifted slightly year-on-year. Private equity tops the list of expected net returns at 13.65%. There are, however, concerns around exit timing and liquidity, which are prompting the use of secondaries and continuation vehicles.

We believe private debt continues to appeal due to its expected ability to deliver attractive risk-adjusted returns (just under 10%) and steady income in a higher-rate, bank-constrained lending environment.

Return expectations for infrastructure equity (13.4%, up from 11.43%) and debt (9.59%, up from 7.89%) have risen sharply.

Meanwhile, unlisted real estate (8.8%, down from 11.55%), while facing pressure in office and commercial segments, may present value opportunities for investors as pricing resets.

Towards an innovative and strategic use of private markets

Investors are also becoming more innovative in how they are using private markets. They're buying mature portfolios via secondary markets, reinvesting for long-term value, and tailoring capital structures for specific risk-return goals. Sustainability is often embedded in these projects from the onset, with a strong majority of investors surveyed saying this aspect is critical to their private market investments (page 24). We believe this helps manage risks and potentially enhance long-term performance.

Meanwhile, lines appear to be blurring between infrastructure, unlisted real estate, private equity and private debt, as investors pursue thematic, long-duration assets such as energy-efficient buildings, digital infrastructure or sustainable transportation. These projects often span multiple asset classes and require integrated capital solutions. This is confirmed in our survey: 71% of investors see investment opportunities that combine private equity and infrastructure and 60% say private debt is expanding to include infrastructure debt.

Highest net returns are expected from private equity

“

Resilience is the top word for asset allocators and asset owners at the moment.

Luba Nikulina
Chief Strategy Officer,
IFM Investors

PART II

Infrastructure is expanding investors' horizons

In the current climate of higher-for-longer inflation, rate volatility, and shifting geopolitical fault lines, investors are looking to infrastructure as both a portfolio stabiliser and a credible engine of growth and source of alpha. There is also a notable pivot towards higher risk/return strategies and strong demand for digital infrastructure.

"Over the last 15 years, infrastructure has delivered on its promises in terms of consistency, returns and its ability to provide portfolio resilience in turbulent markets," says Synnott. "And for most clients, infrastructure is a growing allocation - that's probably a unifying theme."

Resilience is the top word

The number of investors in our study planning to allocate capital to infrastructure equity and debt is projected to grow from 50% over the next 12 months to 60% over the next three to five years.

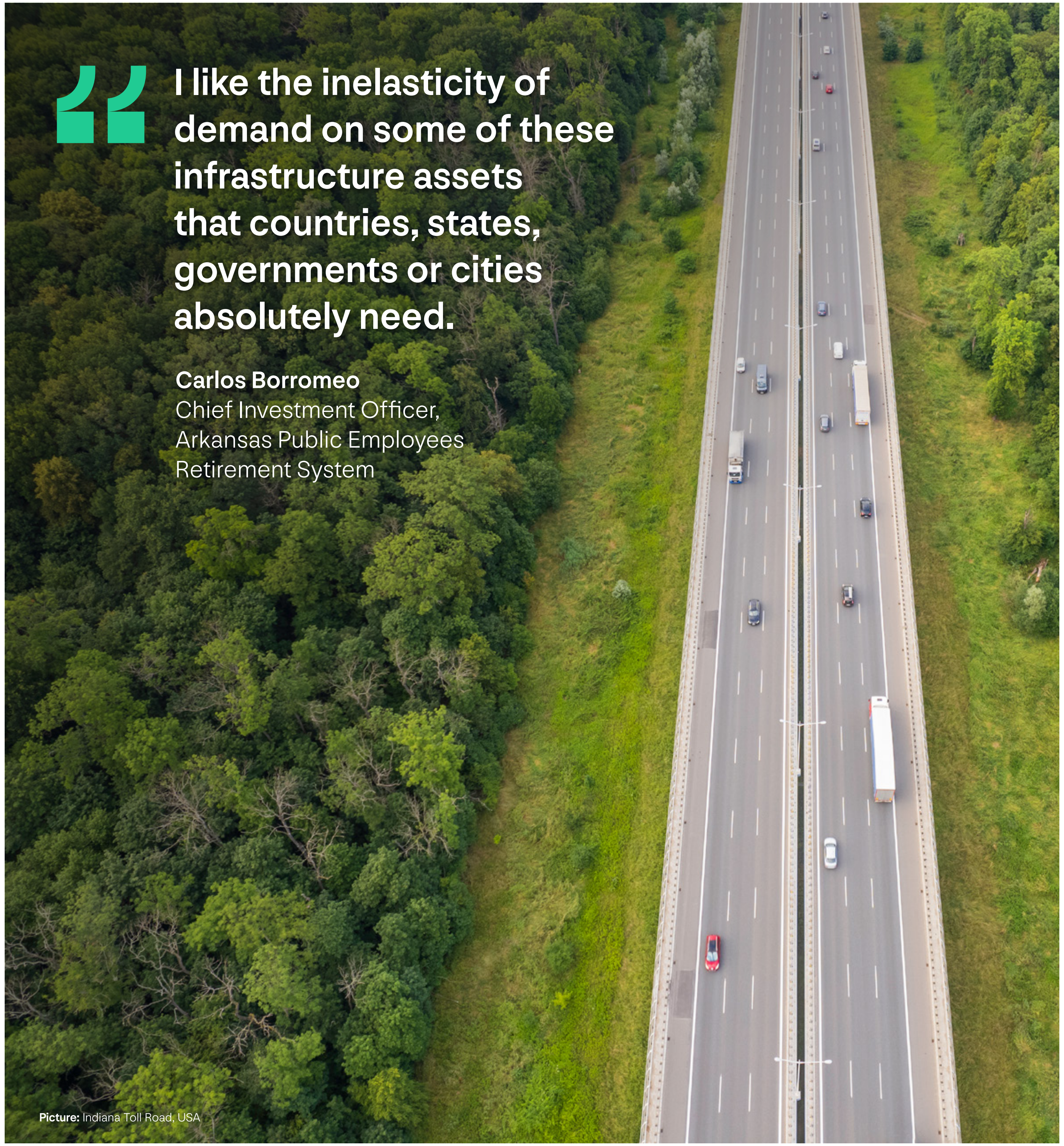
We believe one factor behind this growing reliance is the regulatory shift that reshaped the financing of big infrastructure projects. The Basel reforms imposed on banks following the 2008 global financial crisis involved much higher capital requirements. Consequently, many banks reduced their roles in such projects, opening the door to institutional capital.

Infrastructure can offer a natural inflation hedge and long-duration cash flows to align portfolios with long-term liabilities. Assets such as regulated utilities, renewable energy projects or transport networks often enjoy inflation-indexed revenue streams, making them a valuable buffer in an inflationary cycle. Such assets often perform critical services to society and tend to see generally stable demand, and hence steady, reliable returns and low volatility, across business cycles.

"I believe infrastructure is going to be a mainstay of our portfolio," says Carlos Borromeo, Chief Investment Officer of the Arkansas Public Employees Retirement System. "I like the inelasticity of demand on some of these infrastructure assets that countries, states, governments or cities absolutely need."

Traditionally, infrastructure appeared to stand out among private market asset classes for its defensive qualities. Its resilience can span a range of economic conditions: for instance, unlisted infrastructure equity generated average annualised net returns of 11% between 2009-2024, with volatility of only 3.5%[2].

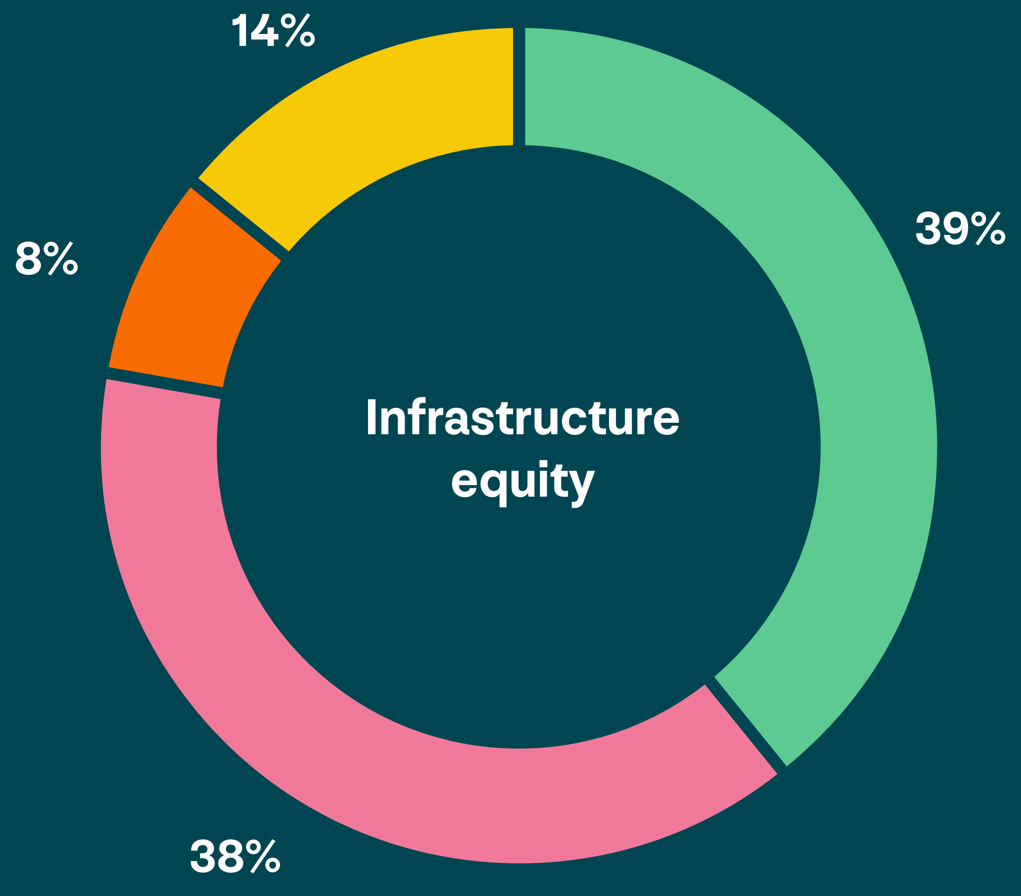
"Resilience is the top word for asset allocators and asset owners at the moment," says Luba Nikulina, Chief Strategy Officer at IFM. "We believe infrastructure can help increase resilience by providing inflation linkages, diversification and stability during uncertain times."



Picture: Indiana Toll Road, USA

[2] Source: IFM Investors

Investors are rising up the risk curve in search of higher returns from infrastructure equity



- Core (targeting 6% - 10% net returns)
- Core Plus (targeting 10% - 12% net returns)
- Value-add (targeting 13% - 16% net returns)
- Opportunistic (targeting 16+% net returns)

Percentage of respondents citing return category as their main target for infrastructure equity

Greater return expectations

According to our research, investors now expect infrastructure equity to deliver around 13.4% net, up from 11.4% net in 2024 — putting it near traditional private equity levels. By comparison, from 2004 to 2024, the S&P 500, arguably the world's leading equity index given the prevalence of US equity markets, delivered an average annual return of 8.4%,[3] while private equity returned 14.8% over the same period.[4]

Expectations for the performance of infrastructure debt have also jumped, from 7.89% net to 9.59% net, reflecting a premium over many other fixed-income options (explored further on page 21).

"We've observed a pick-up in the expected returns from infrastructure, both on the equity and debt sides," says Nikulina. "There's a market expectation of more alpha coming out of these asset classes."

With expectation of higher returns, infrastructure equity is increasingly viewed as a potential source of market outperformance. While the more conservative profiles, such as Core, remain common amongst investors, there appears to be a growing appetite for risk, evidenced by a move further along the risk/return curve.

Core investment strategies tend to focus on low-risk, stable income-focused assets. These might include a fully leased building in a prime location or a mature toll road. Core Plus investment strategies tend to tolerate slightly higher risk than Core to improve income or value. That might involve mature assets with upside potential such as the expansion of a project to achieve a higher income or the inclusion of some leverage.

A new cohort of investors appear to be pursuing higher-growth strategies, which stretch beyond core assets to mid-market deals[5], asset upgrades, and hybrid models that draw on private equity's opportunistic playbook. North American investors are leading the way: 47% target mid-risk, growth-focused Value-add strategies and another 4% pursue high-risk, high-return Opportunistic investments.

Our study reflects this new appetite. We found that 67% of investors surveyed globally are attracted to the mid-market space. More than 7 in 10 see investment opportunities that straddle private equity and infrastructure, including intelligent transport systems, smart grids and advanced software for data centres. Investors seem to be targeting assets that can be redeveloped or repositioned, potentially securing the income stability of infrastructure while retaining the value creation objectives of private equity.

Zurich's Ioannis Galetsas indicates an overlap between infrastructure and private equity: "An opportunistic infrastructure strategy would be approached similarly to private equity, given its 'buy and build' or 'extend and turnaround' operational nature," he says.

3 https://www.sofi.com/learn/content/average-stock-market-return/
4 https://www.preqin.com/insights/global-reports/2025-private-equity
5 Mid-market deals in infrastructure investing typically involve assets valued between approximately US$200 million and US$2 billion, and specialised managers focusing on specific sectors or geographic areas.

The increasing appeal of infrastructure debt

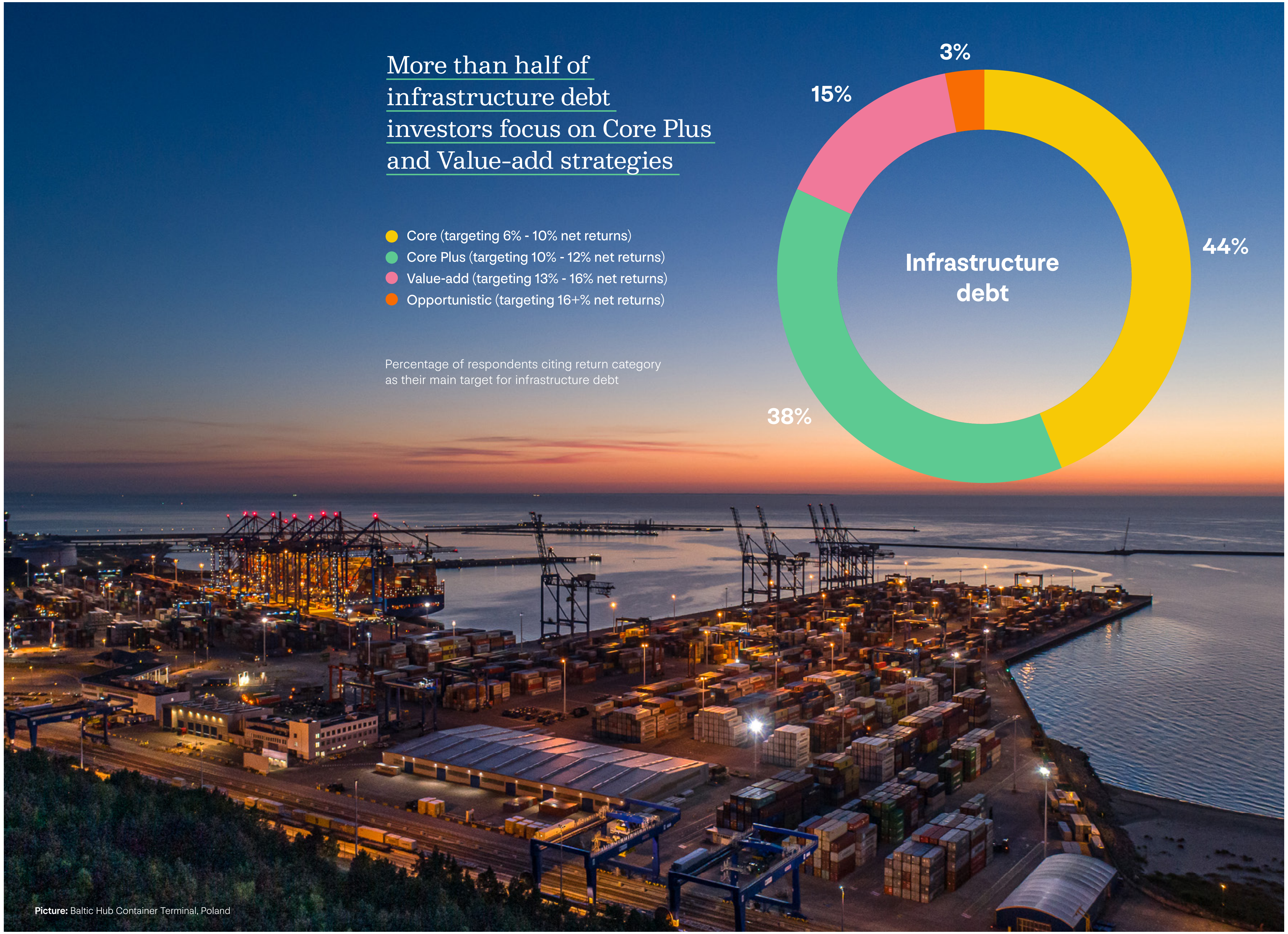
"Infrastructure debt was a niche product for many years, but it has gained traction, driven by the rise of private debt over the past decade," explains Richard Randall, Global Head of Debt Investments at IFM Investors.

"The thesis is that infrastructure debt should give you a pretty nice premium - anywhere from 50 to 200 basis points over comparable corporate debt - with a much lower probability of loss," says Randall.

This may explain why allocations to infrastructure debt are expected to increase from 3.4% to 3.9% over the next three to five years, according to our research. This is particularly true in Europe (with allocations rising from 3.3% to 4%), where many institutions in our survey appear to favour Core and Core Plus debt strategies that match their asset liability management needs and deliver an illiquidity premium.

We believe this balance of historically modest higher returns, combined with robust protection, resonates strongly in an investment climate of elevated macro risk. It is our opinion that lingering concerns about stagflation make debt strategies based on tangible assets increasingly noticeable.

"Infrastructure debt is becoming more and more attractive, given where rates are at right now," confirms Convyta Partners's Hubert Hwang. "With some infrastructure debt funds, you can get equity-like returns with the downside protection of having a hard asset as collateral."



Picture: Baltic Hub Container Terminal, Poland

Technology and AI: new opportunities arising

We expect the next wave of infrastructure capital will flow towards the increased power demand that technological advances generate. Investors are seeing great potential value where generative AI, digitalisation and decarbonisation coincide. Data centres, electric vehicle (EV) charging networks, smart meters and battery storage projects seem to be on the radar for many investors looking for exposure to long-term trends.

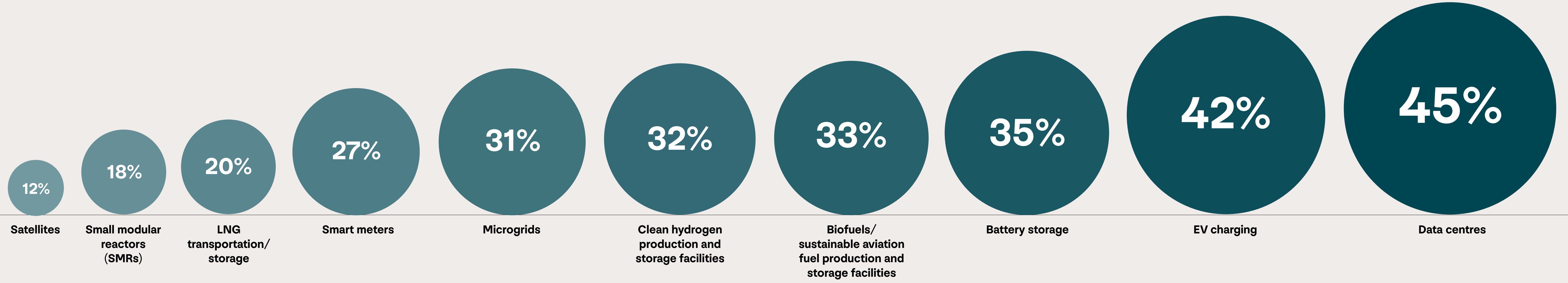
"We're just at the beginning of AI adoption," says Deepa Bharadwaj, Head of Infrastructure, Europe at IFM Investors. "The topic of data centres is becoming more prominent, but that also means a rise in energy demand."

"Digital infrastructure, such as data centres, have already emerged as opportunities and feature now in the Core category," agrees Nikulina. "We believe that what truly matters is the selectivity and rigour with which you pursue these opportunities."

The race to capture this upside does come with risk. Demand appears to be outstripping supply in prime locations, driving valuations higher and narrowing margins. We believe this calls for investors to conduct detailed due diligence. "The key to infrastructure investing is patience and discipline," adds Bharadwaj. "These are truly critical elements."

Picture: Switch, USA

Most promising areas in emerging infrastructure



Percentage of respondents citing an emerging infrastructure area among their top three most promising

Calling for fresh thinking

As demand for infrastructure grows, many investors appear to be advocating regulatory and policy measures to help unlock the supply of investible projects. This is fuelling calls for fresh thinking.

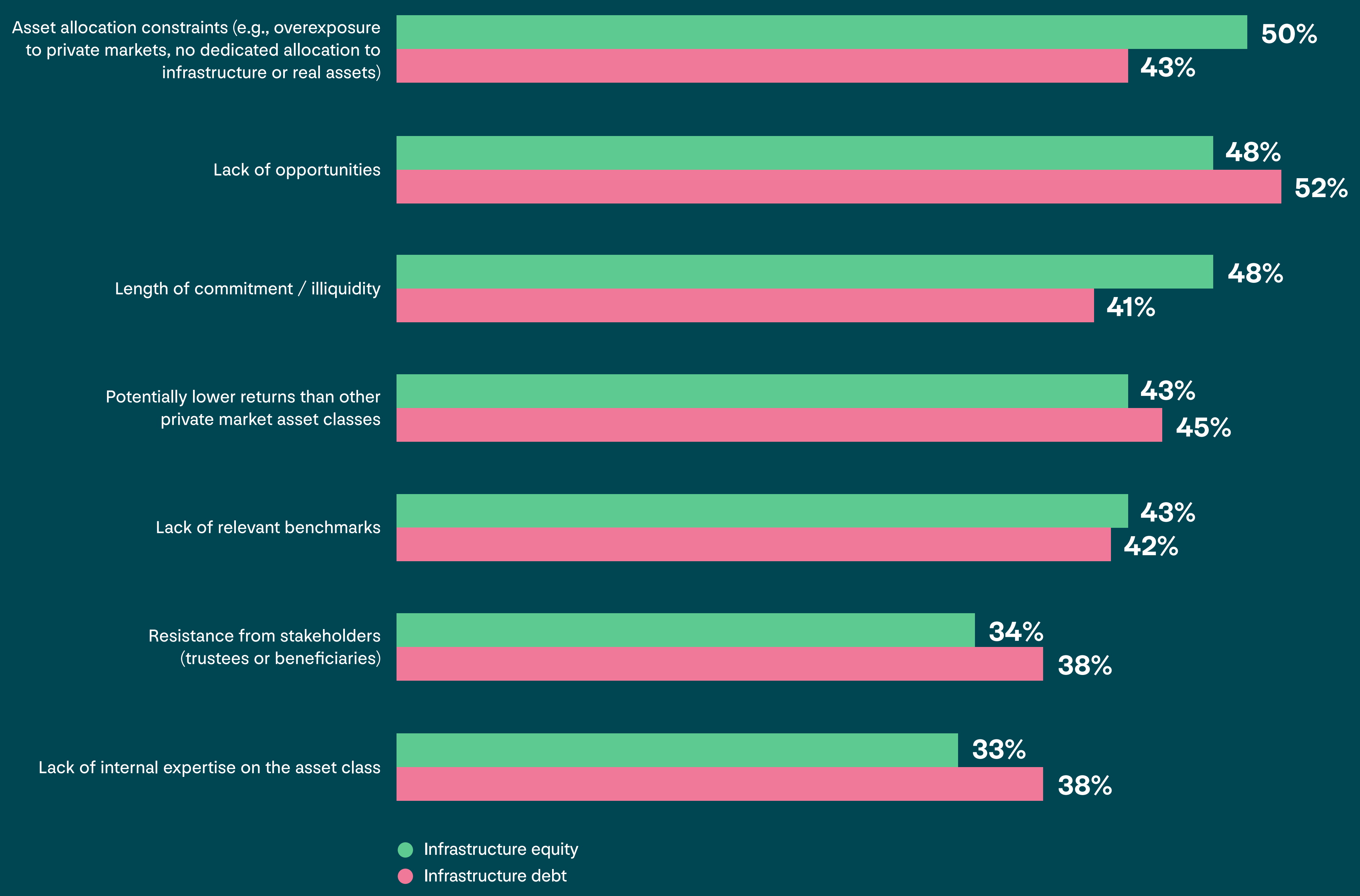
Lack of opportunities was the second highest nominated constraint among survey respondents.

Favoured policies include greater cross-border integration, streamlined M&A rules, and government underwriting large projects to align capital input with climate and digitalisation goals.

These policy measures offer potential benefits for both private investors and governments. "Governments have priorities, notably housing affordability and supply, the energy transition and, increasingly, defence infrastructure and national resilience," says David Whiteley, Head of Global External Relations at IFM Investors. "In this context, they need to attract long-term private capital, and this represents an opportunity for pension funds."

> **Governments need to attract long-term private capital, and this represents an opportunity for pension funds.**
>
> **David Whiteley**
> Head of Global External Relations, IFM Investors

Asset allocation constraints and deal supply not meeting demand are top barriers to infrastructure investment



Percentage of respondents ranking a challenge in their top three barriers to investing in infrastructure equity/debt

> The topic of data centres is becoming more prominent, but that also means a rise in energy demand.

Deepa Bharadwaj
Head of Infrastructure, Europe,
IFM Investors

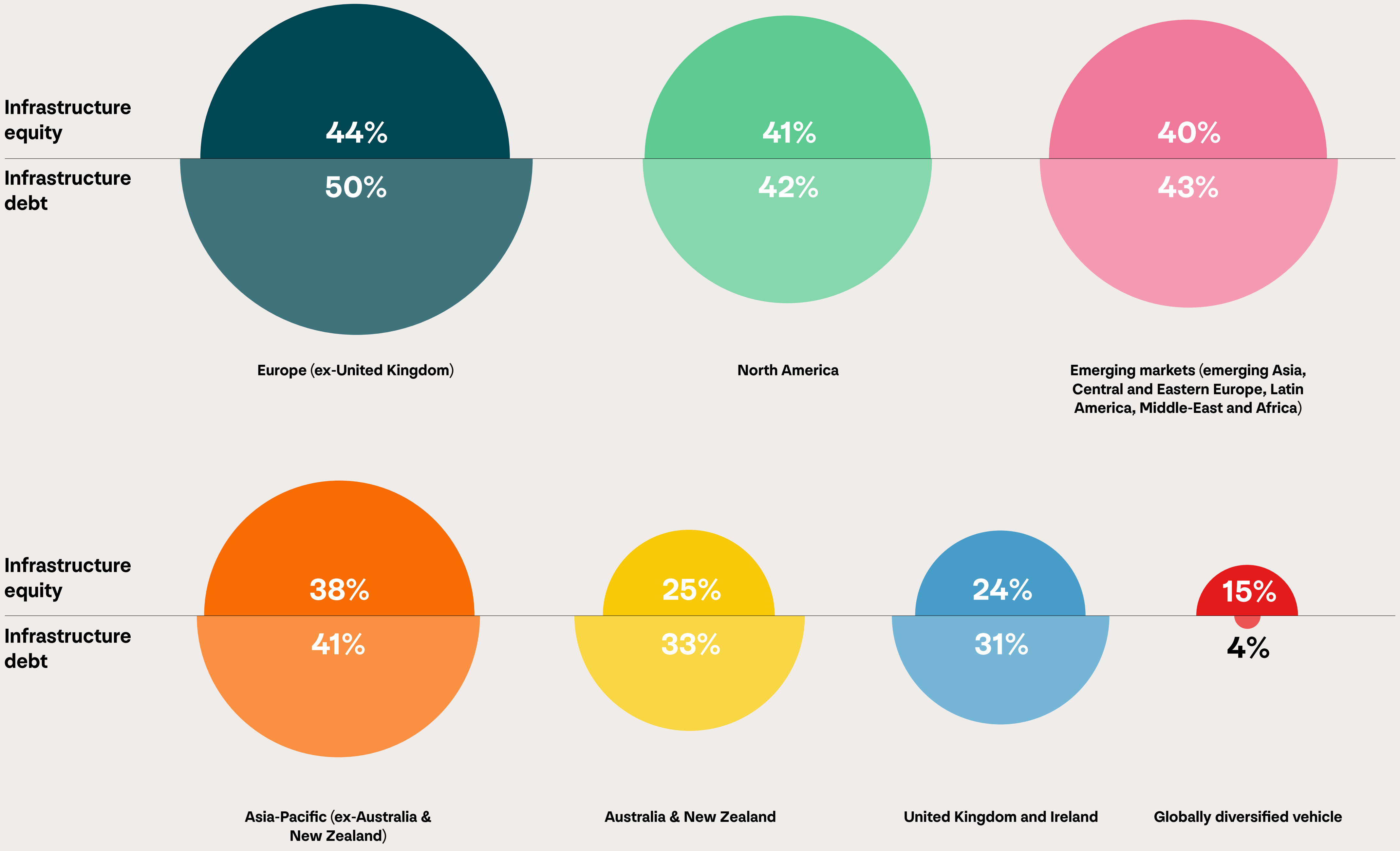
PART III

Regional priorities shape infrastructure demand

As infrastructure strategies become more sophisticated, investors across regions appear to be aligning their capital with distinct priorities — whether focused on performance, stability, or sustainability.

"In the US, many investors view infrastructure as a way to generate alpha and boost portfolio performance," says Mercer's Alan Synnott. "In Europe, clients are typically drawn to infrastructure for its consistent returns and stabilising effect on portfolios. In Asia, approaches vary widely, reflecting the different levels of market development and sophistication across countries."

Europe is the priority destination for private market investors



Percentage of global respondents focusing their private market investments on each region

> In Europe, we're seeing increased investment in infrastructure and a growing recognition among policymakers of the need to attract private capital. There's also a strong ongoing commitment to the energy transition and energy security.

Deepa Bharadwaj
Head of Infrastructure, Europe,
IFM Investors

Picture: M6 Motorway, UK

Diversified capital heads to Europe

In 2025, Europe has emerged as a leader in attracting capital for infrastructure equity and debt, unlisted real estate and private debt. We believe the region's appeal lies not only in its mature pipelines and established regulation, but also in fiscal stimulus, rising defence commitments and its leading role in the global energy transition.

"I'm not surprised people are going to Europe," says pension policy consultant Daniela Silcock, noting that investors currently see Europe as having a more stable and predictable political and regulatory environment than other regions. This makes it a more appealing destination for private market capital.

Europe can offer diversification benefits, including exposure to varied regulatory frameworks and policy momentum towards net zero goals. Many global managers highlight the region's reliable project pipelines, historically compelling returns, and diversified opportunities.

"Most of the managers that we work with have been investing in Europe for some time," says Hwang. "We like Europe as a place to invest in infrastructure as a component of a regionally diversified portfolio."

Europe's status as a preferred destination is supported by the increase in infrastructure spending in the region as investors report pipeline opportunities, especially in Core and Core Plus infrastructure equity. While Europe's illiquidity premium is lower than in emerging markets, the perceived trade-off for more predictable yield and stability remains attractive to risk-aware investors.[6]

Sustainability also sharpens Europe's edge. We believe many asset owners and pension funds in the region are stepping up their engagement on climate risk and the energy transition and they regard sustainability as a financial driver.

Bharadwaj believes that a potential capital shift to Europe is driven by the geopolitical diversification our study highlights. "To fully benefit from investment opportunities, we believe it's essential to look across different geographies and sectors," she says. "In Europe, we're seeing increased investment in infrastructure and a growing recognition among policymakers of the need to attract private capital. There's also a strong ongoing commitment to the energy transition and energy security."

[6] https://am.gs.com/en-gb/institutions/insights/article/2025/infrastructure-2025-megatrends-mid-market-opportunities

North American investors are betting on higher-growth profiles

While Europe leads in policy-led infrastructure spending and climate-linked mandates, and European investors seek stable returns, North American investors appear to be drawn to infrastructure's growth potential, especially in equity. In the region, 48% of investors investing in infrastructure equity cite higher returns as their motivation.

This has seen North American investors' net return expectations for infrastructure equity increase to 13.5% (up from 11.8% in 2024), nearly on par with private equity at 13.9% (down from 14.5% in 2024). For infrastructure debt, expected net returns have risen to 9.7%, up nearly 2 percentage points, year-on-year.

The region's appetite for infrastructure debt reflects local themes. Some investors see opportunities in a domestic manufacturing revival, with the industrial sector a top pick for infrastructure debt strategies that seek secured income while funding physical supply chain assets.

Sixty three percent of North American investors surveyed acknowledge that the energy transition is unstoppable. "Putting ethical considerations aside, you can't have a sustainable investment that doesn't support the energy transition, because things like fossil fuels that are damaging the environment will become less viable over time," notes Silcock.

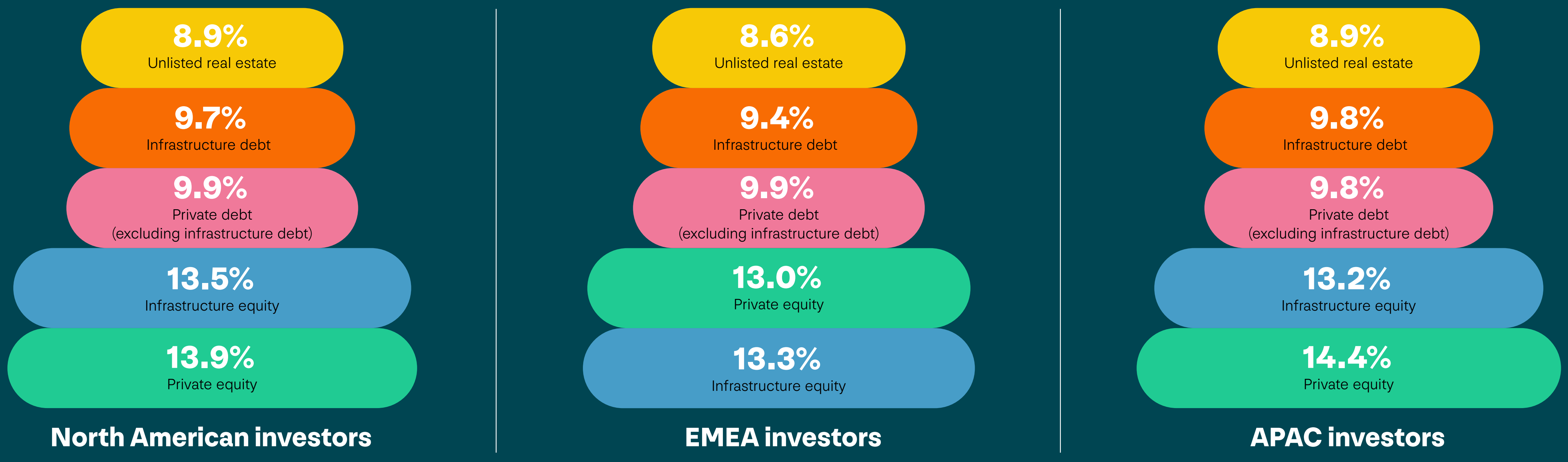
Seventy-nine percent of North American investors cite federal regulation as an influence on their private market investments. We believe an uncertain federal policy outlook, rising tariffs and permitting delays have weighed on investment in the renewable energy sector in the US which was booming under the Inflation Reduction Act (IRA) measures.

Despite other headwinds, such as potentially slowing GDP growth, the US can still be seen as offering numerous private market opportunities, notably in conventional power, transport, the reshoring of industrial plants, as well as data centres.

"Unlike other regions, social infrastructure and transportation assets in the US are largely government-owned," says Randall. "This means approximately 75% of infrastructure investments are focused on energy and electric power."

"There's been huge demand for data centres, due to the rise of AI," adds Roger Knott, acting Head of Real Assets at superannuation fund AustralianSuper. "We've been investing in that space over the last several years, specifically in the US."

Net return expectations from regional investors



Average net return expectations among regional investors for each private asset class

"

In the US, 75% of infrastructure investments are focused on energy and electric power.

Richard Randall
Global Head of Debt Investments,
IFM Investors

APAC's digital and sustainable edge

Investors across APAC appear to show robust enthusiasm for infrastructure opportunities. The research shows that more than two-thirds (67%) of APAC investors plan to commit capital to infrastructure in the next three to five years, compared with 60% globally. There are regional nuances: those in APAC (ex-Australia) have a strong focus on energy efficiency and digital infrastructure, while those in Australia view social impact as a defining investment factor.

Data and energy efficiency drive demand in APAC (ex-ANZ)

Investors in the APAC region (excluding Australia and New Zealand) are advocates of infrastructure investment, with 70% indicating the private sector needs to play a greater role in financing infrastructure, compared to 61% globally.

Sustainability is a priority for most of them: 81% (vs 70%) state it is a key factor in their private market decisions. Energy efficiency stands out as their top sustainability consideration in infrastructure.

Importantly, this commitment to sustainability must go hand in hand with innovation. Seventy percent of APAC (ex-ANZ) investors say investment in digital infrastructure, such as data centres and communication networks, is accelerating, driven by growing demand for AI and cloud services. And an even higher number than average identify digital infrastructure as a key focus area for infrastructure debt.

The Pension Fund of Japanese Corporations has a unique allocation strategy, with all capital invested outside Japan and in alternative assets, with infrastructure contributing only 2% of the portfolio. "We take a contrarian approach to investing, increasing allocations during market downturns to capitalise on undervalued opportunities," explains Kiguchi. "We are exploring secondary infrastructure funds as a potential opportunity, especially during periods of market turmoil or exit challenges."

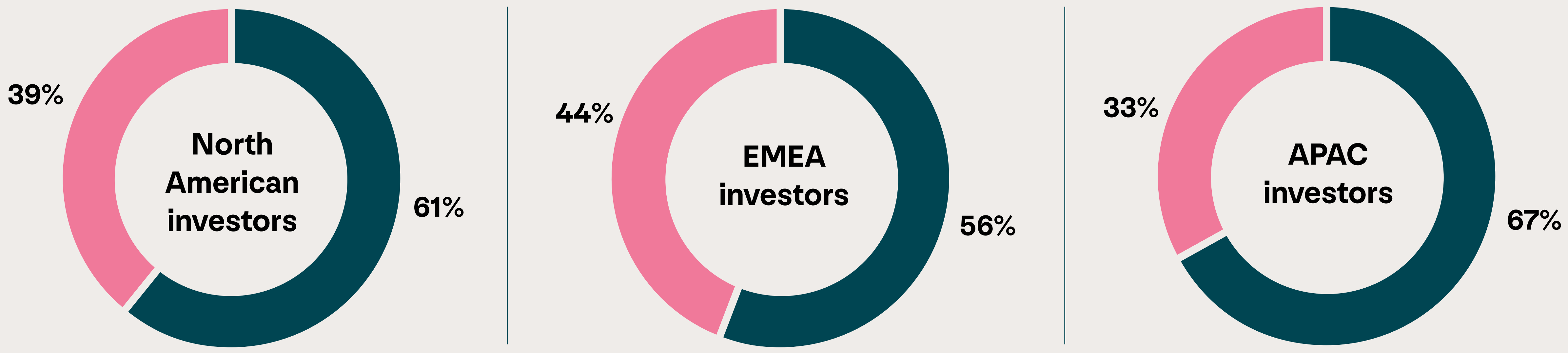
Australia builds with purpose

As infrastructure investing pioneers, Australian investors have higher allocation plans over the next 3-5 years for both infrastructure equity (8.35% vs 6.96% globally) and infrastructure debt (4.18% vs 3.89%).

Australian investors lead on social infrastructure, such as affordable housing, healthcare and education facilities. Patient private capital regards social infrastructure investing as a good prospect if supported by credible government policy frameworks. We believe there is a collaborative dimension to many of these projects between the public and private sectors. For example, 75% of Australian infrastructure investors regard housing, with proper government policy, as an attractive private capital investment.

"The system typically finds a solution when there's a clear market need," Nikulina explains. "However, we believe close collaboration with governments is essential to make these opportunities commercially viable."

APAC investors are the most likely among regions to invest in infrastructure



Investing in infrastructure over the next 3-5 years
Not investing in infrastructure over the next 3-5 years

A notable majority agree that sustainability is key to their private market investments

Australian investors also see a notable upside in energy-transition focused funds, with 77% (vs 68%) viewing these as an attractive opportunity in infrastructure. They display an interest in emerging infrastructure such as microgrids and smart meters.

For Australian allocators, sustainability is also embedded in governance and stewardship practices. Labour rights, community benefits and environmental safeguards are integrated into due diligence, asset operation and reporting, with the aim of building social licence alongside long-term yield.

“ESG is something that we're very attuned to,” says AustralianSuper’s Roger Knott. “Environmental impacts, governance and other social issues are front of mind across all of our investments. In infrastructure, we pay strong attention to supply chain and labour conditions standards.”

Sustainability is (still) a common thread

Despite varying regulatory backdrops and risk appetites, we believe one unifying trend is clear: sustainability is a financial performance and risk management driver. Private market investors continue to prioritise sustainability, with seven out of ten integrating it into their investment strategies, consistent with 2024 trends. Among investors, 72% prioritise climate and transition risks, while 67% focus on biodiversity and nature-related risks.

Most see an upside in the shift to a low-carbon economy: 69% believe the energy transition is unstoppable and 68% are attracted to energy transition-focused infrastructure funds. Investors view social infrastructure as the top-priority theme in infrastructure equity and second in infrastructure debt.

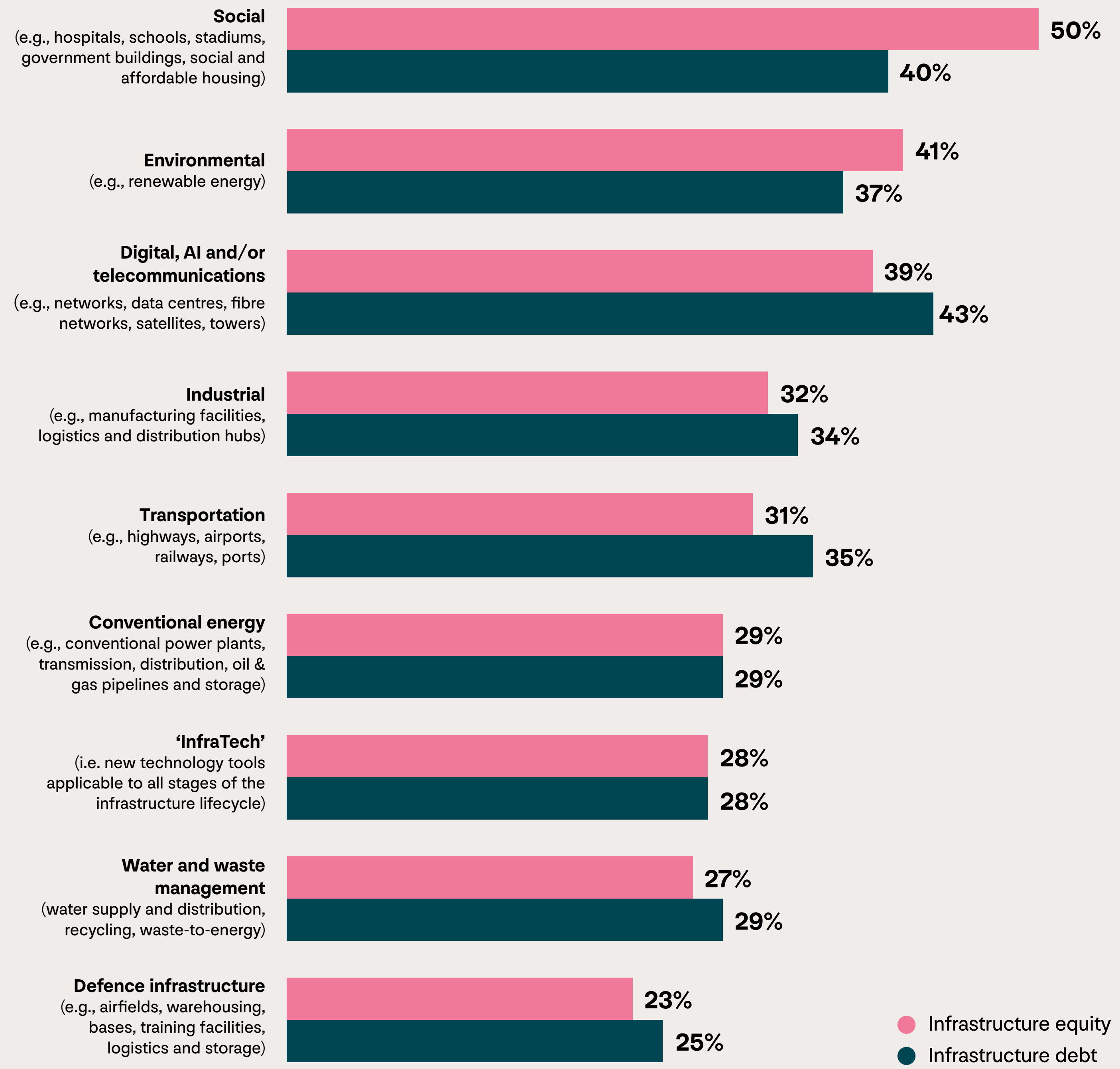
Hwang notes the attraction of social infrastructure: “It’s stable, government-backed and less cyclical. You are partnering with a high-quality counterparty under a 20- to 30-year concession agreement. As long as the asset is maintained and operated properly, the path to a coupon-like payment is relatively secure.”

Hwang adds that social equality, water security and indigenous rights are increasingly flagged during ESG due diligence. “It’s not a side issue. It’s fundamental risk management.”

Zurich Insurance integrates sustainability considerations into its private market investments where projects often have measurable goals such as carbon emissions avoidance or social impact metrics. “It is a big plus if a deal has a measurable impact goal and also an audited impact assessment,” says Galetsas.

> **Social equality, water security and Indigenous rights are increasingly flagged during ESG due diligence. It’s not a side issue. It’s fundamental risk management.**
>
> **Hubert Hwang**
> Principal, Convyta Partners Consulting

Social and environmental themes dominate opportunities in infrastructure equity, while digital prevails in infrastructure debt



Percentage of respondents who ranked a sub-theme among their top three strongest opportunities

Regulators must support the infrastructure drive as the sector evolves

Infrastructure investing continues to evolve, shaped by regional priorities: Europe's regulatory drive, North America's higher risk/return expectations, APAC's climate commitments, and Australia's emphasis on social infrastructure. Despite these regional differences, the asset class appears to remain united by its ability to typically deliver resilience, diversification, and yield in a changing macroeconomic environment.

A majority of investors (63%) view higher risk/return strategies as essential to attracting more private capital. But the concept of a social licence to operate appears to have become embedded in investment practices, with climate, nature, and community impact now core considerations.

We believe the drive for higher returns is prompting asset managers to innovate—exploring hybrid models that combine private equity and infrastructure, as well as developing new structures targeting the mid-market segment across both asset classes, which continues to present potential for unlocking value and liquidity.

While 57% say infrastructure equity investments have met or exceeded their expectations over the past 12–18 months, and 49% say the same for infrastructure debt, we believe the pipeline must deliver more.

It is our opinion that policy support will be critical. "Simplifying planning procedures, coordinating bidding and cost allocations across projects—all these are key," says Bharadwaj." We believe government-backed revenue-support mechanisms are essential to launching new infrastructure initiatives and enabling them to scale effectively."

> **We believe government-backed revenue-support mechanisms are essential to launching new infrastructure initiatives and enabling them to scale effectively.**

Deepa Bharadwaj
Head of Infrastructure, Europe,
IFM Investors

"Environmental impacts, governance and other social issues are front of mind across all of our investments.

Roger Knott
AustralianSuper

CONCLUSION

Six key takeaways

1

Private markets are redefining diversification

As traditional equity-bond models gyrate under the weight of geopolitical risk and macroeconomic volatility, private markets seem to have become central to institutional portfolios, offering a strategic solution for risk management, diversification, long-term yield and inflation protection.

2

Investors are asking more from their private market investments

From risk mitigation and income generation to exposure to growth sectors such as new technologies and the energy transition, investors appear to expect private markets to play multiple roles in their portfolios. They seem to be demanding more flexibility, innovation and cross-asset class strategies from their private market holdings.

3

Sustainability is no longer optional – it's performance-critical

Across regions, it appears investors are embedding climate, biodiversity, and community impact into their private market strategies, with 70% saying sustainability is shaping decision-making. Social infrastructure and the energy transition are top investment themes, and a majority of investors seem to agree that the shift to a low-carbon economy is "unstoppable."

4

Infrastructure (equity and debt) is a growth engine with defensive qualities

We believe infrastructure has become a portfolio mainstay – valued for its potential to deliver equity-level returns with less volatility, resilience in uncertain times and increasing relevance in addressing critical needs such as energy, transport and digital connectivity. It appears that investors are embracing mid-market deals, Value-add strategies, and hybrid models that blend infrastructure and private equity.

5

Regional priorities play a key role in shaping investment strategies

In line with regional priorities, infrastructure investing is now connected to broader goals around resilience, social impact, and long-term value. While European investors are drawn to stable, policy-aligned returns, North American allocators favour growth-driven opportunities. APAC investors display a strong interest in digital innovation and sustainability, with Australian investors standing out for their focus on social infrastructure.

6

Policy support is essential for deal flow to meet demand

As investor appetite for infrastructure grows, we believe deal supply must accelerate for the public sector to fully harness private capital inflows. Regulatory reforms, such as faster planning approvals and clearer cross-border frameworks, and government-backed revenue mechanisms are essential. We believe with regulatory support, the asset class has the ability to grow as a magnet for investment.

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