IFM Investors

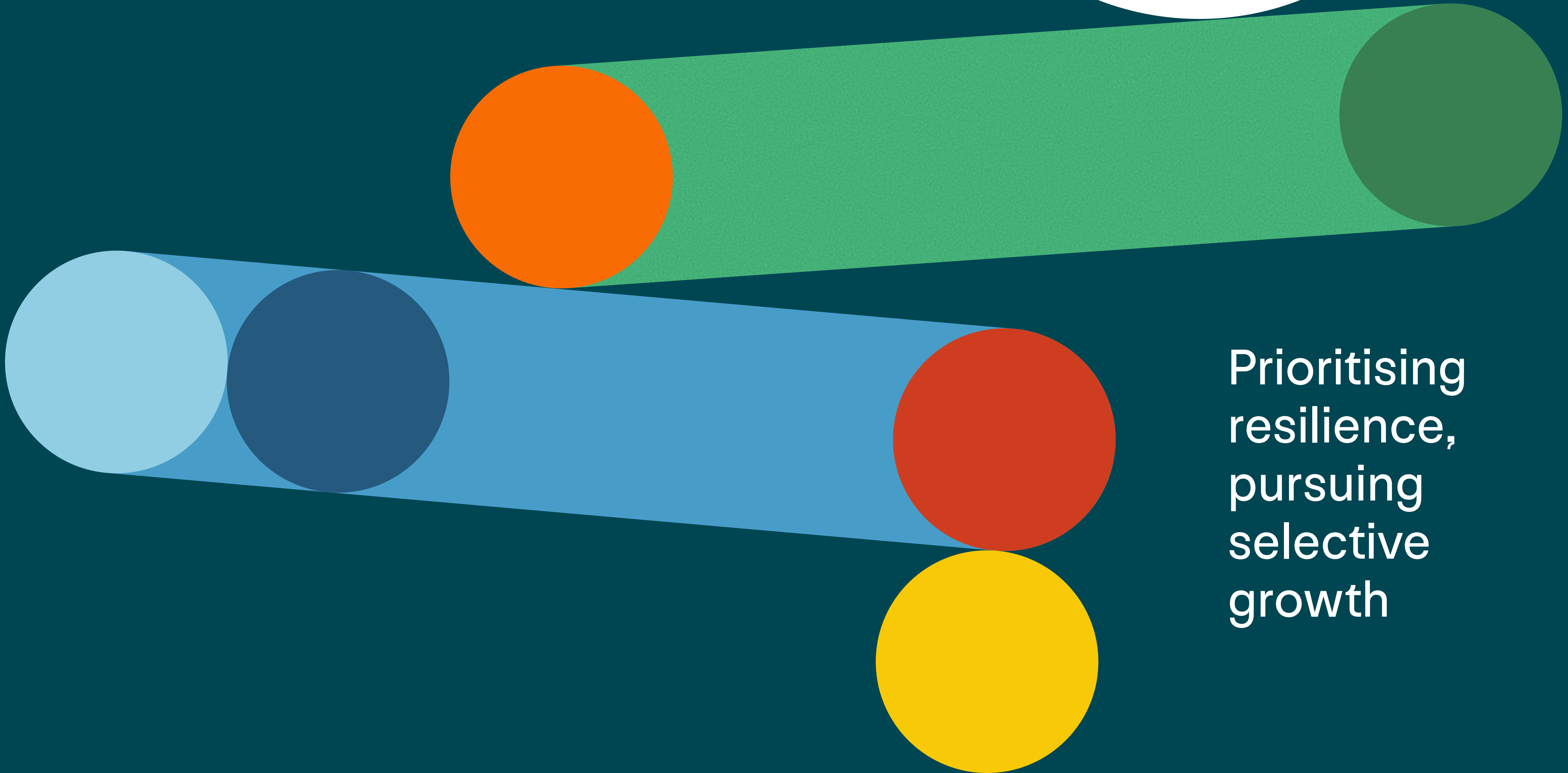
# Private Markets 700

## The global investor barometer

Year Three

2026

# The balancing act



Prioritising resilience, pursuing selective growth

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**David Neal**
Chief Executive Officer,
IFM Investors

# Foreword

Welcome to IFM Investors' third annual Private Markets 700 Report, our annual focus on how institutional investors around the world are navigating private markets.

This year's research findings are drawn from 700 senior investment professionals across pension funds, insurance companies, wealth managers and leading investment consultants.

Two key factors dominate this year's report, and together they describe the balancing act these investors are undertaking today. First, investors see resilience as an absolute priority, and they are actively seeking ways in which they can better safeguard their portfolios.

At the same time, investors want to position themselves to take full advantage of structural economic shifts likely to drive economic growth over the long term. These include ongoing developments in areas such as advanced technology, digital infrastructure and the energy transition.

The challenge for investors is to strike the best balance between these two goals – to try and ensure their portfolios are robust enough to weather volatile macroeconomic and geopolitical events and yet dynamic enough to access tomorrow's possibilities.

It can be challenging to be both resilient and positioned for growth, but this year's respondents are confident that private markets offer a key means to do so.

We believe this is where the best specialist private markets managers can play an integral role. They can partner with investors, offering investment expertise, access to global asset opportunities and decades of lived experience. These qualities can help investors construct portfolios that better balance their two objectives.

This approach is also integral to who we are. IFM Investors was established by pension funds, and we continue to be owned by them today. That heritage shapes our goals and how we engage, listen to and support the needs of our clients, wherever they are based – be it Australia and Asia, the UK, Europe, the US and beyond. This survey, now in its third year, is one of the leading ways in which we do so.

The world's private markets landscape is continuing to evolve, and so are the priorities of our clients. We thank all 700 investment executives who shared their insights for this year's Private Markets 700 research.

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# Executive summary

Inflation, conflict, geopolitical tensions, rapid technological change and energy security questions – a series of forces are reshaping many of the foundations on which institutional investors have based their risk and return expectations.

This has left investors trying to solve two challenges simultaneously: improving portfolio resilience for a more uncertain environment while continuing to position for long-term growth. Our research suggests many see private markets as a way to do both – by offering exposure to durable income, diversification and structural themes that are harder to access through public markets alone.

But finding private markets attractive does not automatically translate into effective allocation. Investors are increasingly looking for more tailored implementation and specialist expertise to help them access complex opportunities with discipline. With many acknowledging gaps in their internal capabilities to fully access the investment themes expected to drive long-term opportunities, strategic partners are likely to play an important role in turning long-term conviction into effective private market allocation.

Private markets now account for more than a third of institutional investors' global assets under management (AUM), and this is likely to rise further. Investors in almost every sub-sector, from private equity to infrastructure, expect their allocation to private markets to grow over the next three to five years.

However, investors across North America, EMEA and Asia Pacific often take different approaches to building these private market allocations, and many recognise they need specialist private market strategies to do so successfully.

The 2026 Private Markets 700 research, our third annual study of the strategies of 700 asset owners, wealth managers and investment consultants worldwide, continues to show the critical contribution private markets make to institutional portfolios.


**Explore the Private Markets 700 research hub**
Access the headline findings and explore the data behind the trends shaping private markets.

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# Key findings

### Private markets can help raise resilience to macroeconomic headwinds

Nearly one in 10 investors say their portfolio is vulnerable to economic shocks and lacks diversification, while a further three in 10 say their portfolio is only moderately resilient and they need to improve performance in adverse environments. However, over half (53%) of investors say increasing private market investments improves portfolio diversification.

### Megatrends expected to drive long-term investment performance

71% believe investing in megatrends will be essential to achieving their return objectives. Many investors (45%) see private markets as helping them gain exposure to structural growth opportunities such as artificial intelligence (AI) and the energy transition.

### Investors seek customisation and partnerships to access opportunities

Investors face practical barriers to scaling their access to private markets. More than a quarter (26%) say they lack internal expertise, while 44% say that scaling investments in complex thematic areas is difficult. They are increasingly seeking customised solutions (33%) and co- and secondary investments (65%) to achieve their goals.

### Investor allocation priorities vary between regions

Investors in EMEA tend to be home-focused and prioritise sustainability (68% and 81%, respectively). North American investors are more open to investing in conventional energy and defence (28% and 25%). Asian investors show stronger appetite for investing in tech and infrastructure equity (78% and 75%).

### Infrastructure equity is the most popular private market asset class

Investors find infrastructure equity to be the most appealing of all private market asset classes, narrowly ahead of private equity. Close to two-thirds (63%) of investors say they want to add to their infrastructure equity allocations over three to five years, versus 62% looking to add to private equity.

### Investors identify the energy transition as an important private markets opportunity

Investors continue to view investments relating to climate change as significant. Seven in 10 (72%) agree that the energy transition offers long-term private market opportunities, while 69% of investors say sustainability is key to private market investing.

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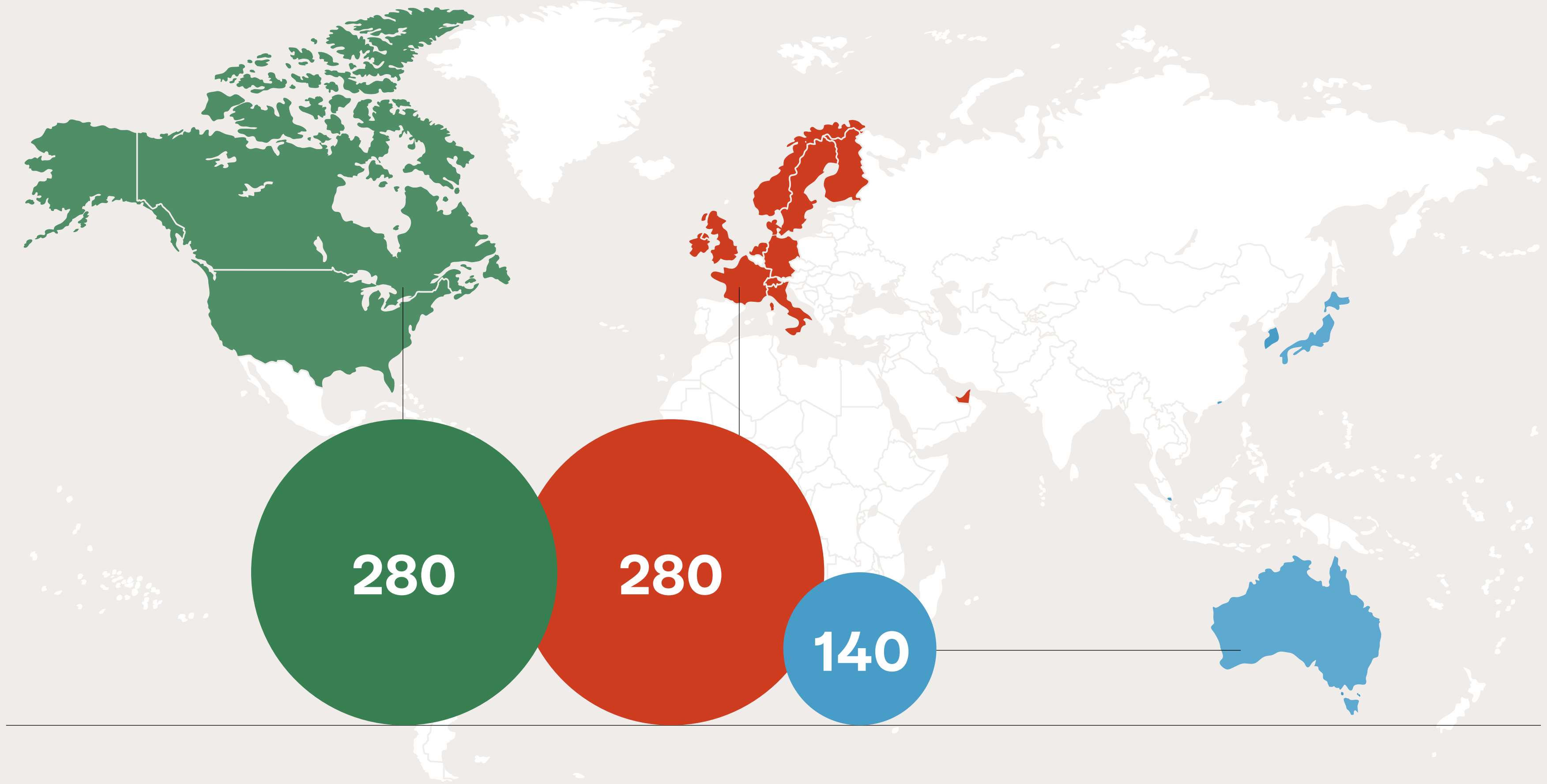
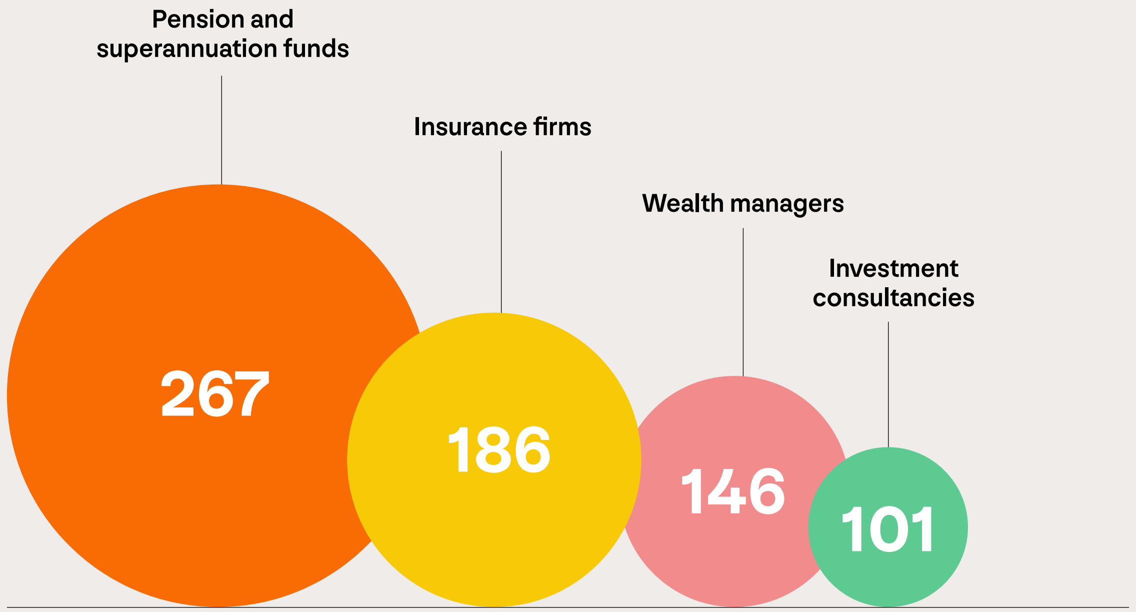
# About our research

In May and June 2026, IFM Investors commissioned FT Longitude to survey 700 senior investment professionals from pension and superannuation funds (267), insurance firms (186), wealth managers (146) and investment consultancies (101), including 43% at C-suite or board level. Respondents were based in North America (280), EMEA (280) and Asia-Pacific (140) and from organisations (or advising organisations) with AUM from $5 billion to $100+ billion.




**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 would like to thank the following experts for their time and insight:

**Matthew Armas**
Chief Investment Officer,
Prudential Financial

**Deepa Bharadwaj**
Head of Infrastructure,
Europe, IFM Investors

**Miles Collins**
Chief Investment Officer,
University of Sydney Endowment Fund

**John Gee-Grant**
Global Head of Client Solutions,
IFM Investors

**Sandra Lee**
Head of Private Markets,
UniSuper

**Ben Levenstein**
Head of the Private Markets Group,
USS

**Luba Nikulina**,
Chief Strategy Officer,
IFM Investors

**Richard Randall**
Global Head of Debt Investments,
IFM Investors

PART 1

# Staying sure-footed: Finding resilience and growth amid macro volatility

**Explore the Private Markets 700 research hub**
Access an interactive snapshot of the headline findings and see how investor sentiment is evolving across private markets.

## KEY TAKEAWAY

Resilience has become a key focus of portfolio design, but for most investors it is still a work in progress: only one in five (21%) says their portfolio can perform consistently well across economic conditions. More than half say that inflation is among their top risks. They are using private markets to close this gap by targeting diversification and inflation-linked income.

**21%**

Investors are feeling the pressure of a more challenging macroeconomic backdrop. The International Monetary Fund (IMF) has forecast global GDP growth of 3% in 2026,[1] down from real GDP of 3.5% in 2025.

In our 2025 Private Markets 700 research, investors were most likely to say that geopolitical factors such as changing trade dynamics and energy security concerns would have the strongest impact on their private market investments. This year, their number one concern is the impact of macroeconomic factors. Globally, 47% of investors say these are most likely to affect private market investment performance.

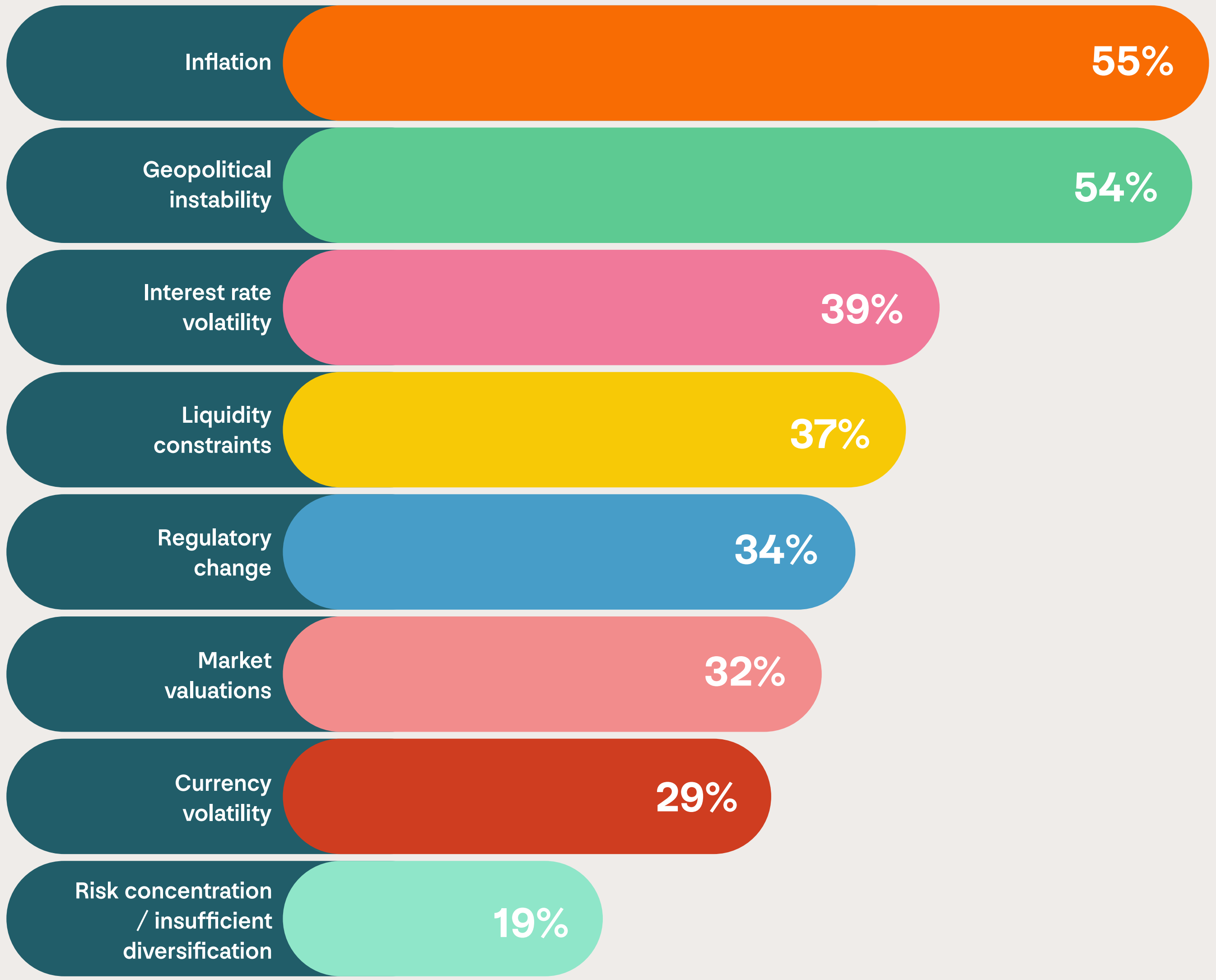
They are particularly concerned about inflation. Over half (55%, rising to 63% in North America) point to it as one of the three biggest risks to their portfolio.

This caution appears to be well-founded. At the time of writing, the World Bank forecasts higher energy prices caused by the Middle East conflict could raise global inflation to above 4% this year.[2] This could lead some central banks to raise interest rates, and 39% of investors in our research say that interest rate volatility is a major portfolio risk.

Luba Nikulina, Chief Strategy Officer of IFM Investors, notes that concerns about inflation are also driven by recent macrotrend developments.

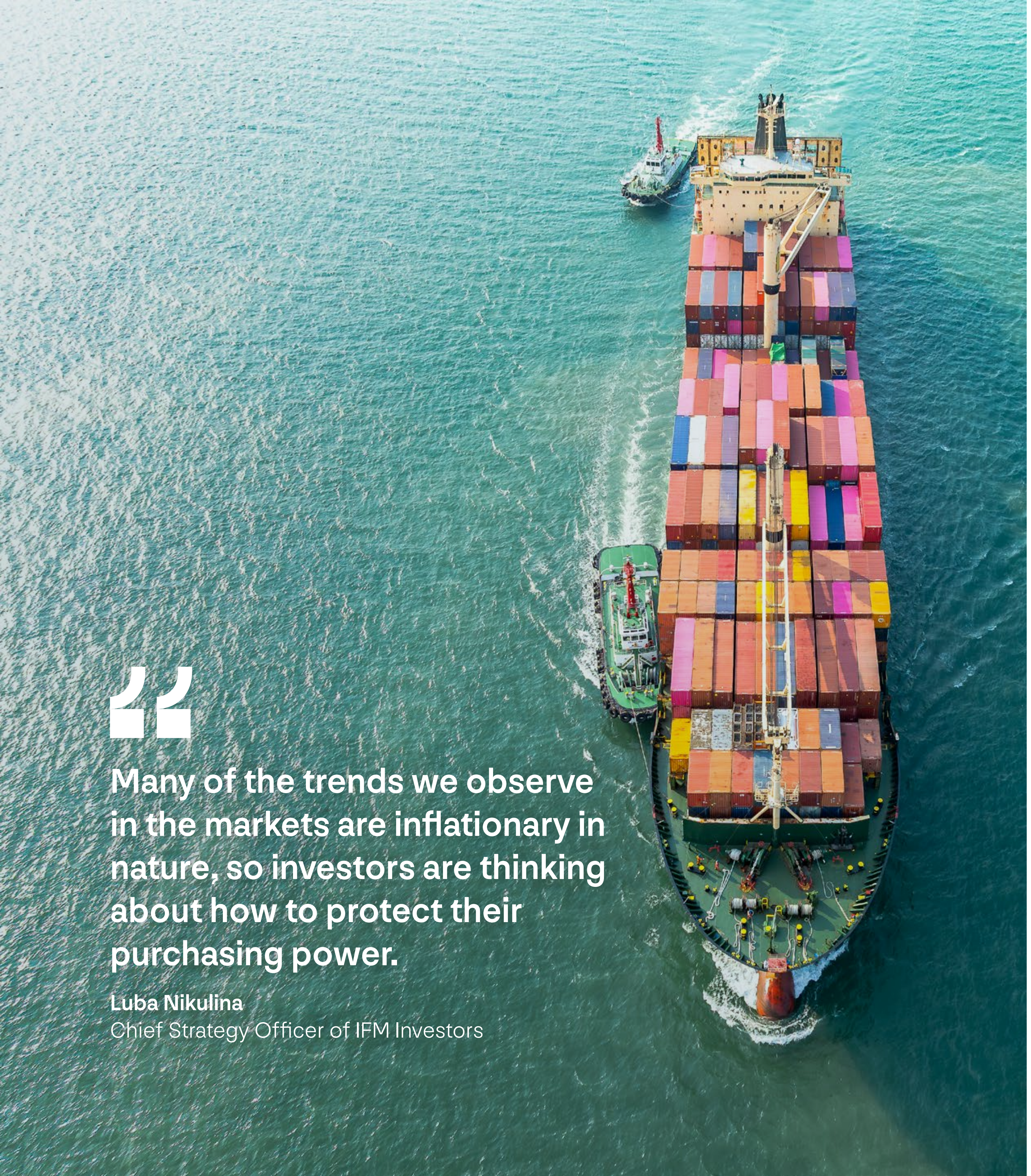
"Many of the trends we observe in the markets, from the reconfiguration of supply chains to investment in the build-out of AI capabilities, are inflationary in nature, so investors are thinking about how to protect their purchasing power," she says.

Investors say inflation, geopolitical instability and interest rate volatility are the biggest risks to their portfolios




What are the biggest risks to your (and/or your clients') portfolio today? (Ranked 1-3)
Source: IFM Investors/FT Longitude survey.

[1] https://www.imf.org/en/publications/weo/issues/2026/07/08/world-economic-outlook-update-july-2026
[2] https://thedocs.worldbank.org/en/doc/2b672b3b0415d6b66c45b66579db4ef5-0050012026/original/GEP-Jun-2026.pdf



> “Many of the trends we observe in the markets are inflationary in nature, so investors are thinking about how to protect their purchasing power.
>
> **Luba Nikulina**
> Chief Strategy Officer of IFM Investors

## Investors aim to improve portfolio endurance

Most investors do not believe their portfolios are resilient enough to fully withstand these threats. Just one in five (21%) says their portfolio can perform consistently across a wide range of economic conditions, including adverse environments. And almost one in 10 (9%) say their portfolio is vulnerable to economic shocks and lacks diversification or downside protection.

Achieving the right level of resilience is a balancing act, according to Miles Collins, Chief Investment Officer of the University of Sydney Endowment Fund. “If you make a portfolio too resilient, you are simply not taking enough risk to generate the returns you need,” he says. “The challenge is to preserve capital in difficult environments while still capturing enough upside over time.”

Investors see that private markets can help their portfolios to perform amid volatile conditions.

“We've got a long history in private assets,” says Matthew Armas, Chief Investment Officer at US-based insurer Prudential Financial, “which gives us the data to say that our recoveries have historically been better, our defaults have been lower, and that private markets can provide differentiated sources of return and diversification.”

The asset classes of private debt and infrastructure debt resonate particularly well with resilience-focused objectives. Investors say the primary reasons to invest into private debt are its attractive risk-adjusted returns compared to public credit (47%), its strong downside protection and capital preservation (44%) and its stable income generation (also 44%). Meanwhile, they find the most appealing reason to add more infrastructure debt is its ability to offer stable income, supported by contracted assets (45%).

Often, infrastructure assets are essential assets, says Richard Randall, Global Head of Debt Investments at IFM Investors. “In all economic conditions, people still need to drive their cars, buy electricity and power their homes,” he says. “That makes infrastructure debt very resilient to the economic cycle compared with typical general corporate credit.”

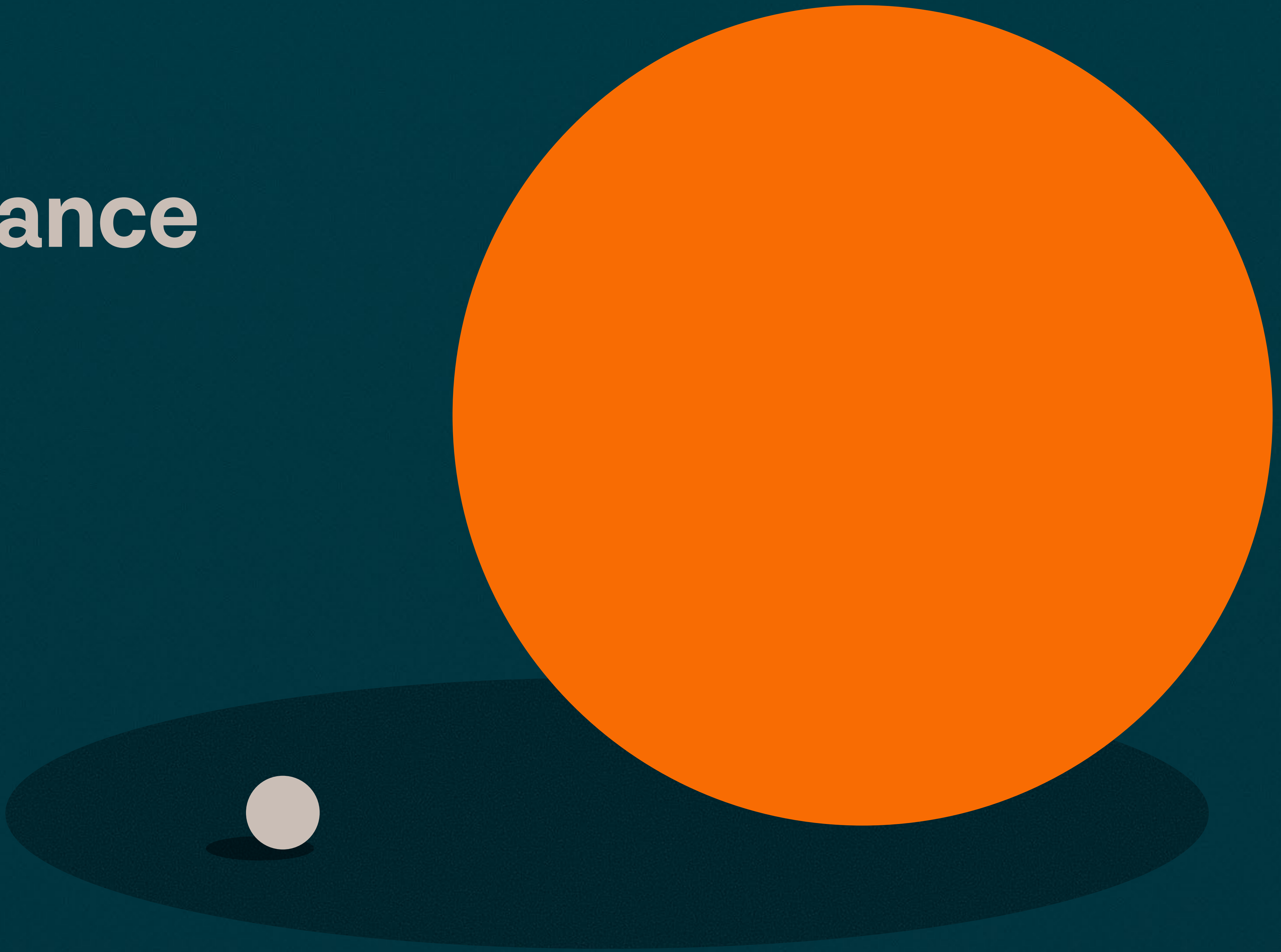
Unlisted real estate is also seen as providing reliable income yields and cashflow visibility (43%). Protection is high on investors’ agendas.

But investors will need to carefully shape their portfolios, considering asset correlations, exposures and liquidity requirements. “We size our private markets exposure so that the scheme can continue operating and rebalance its portfolio countercyclically, even in stressed conditions,” explains Ben Levenstein, Head of the Private Markets Group at USS, which serves the UK’s higher education sector. “The set-up of the total portfolio and the governance around it are the most important mitigants.”

Investors recognise how private markets can help: 53% of investors say improving diversification is one of the main reasons they are increasing their exposure to these asset classes.

**PART 2**

# Transformative themes help balance defensiveness



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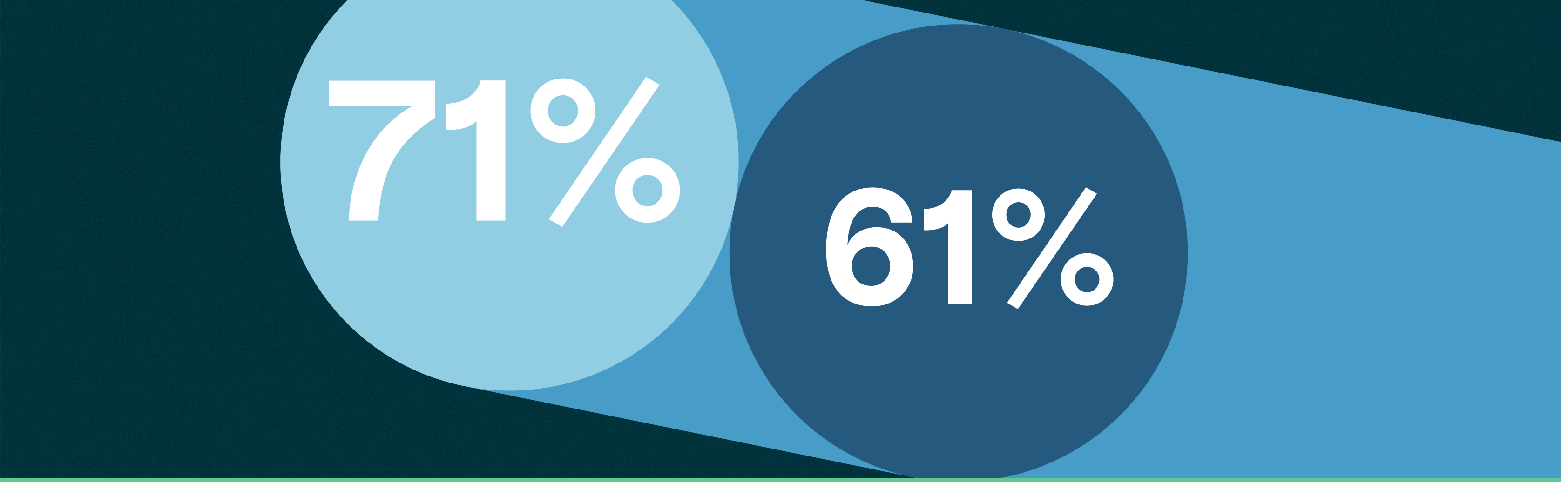



## KEY TAKEAWAY

Megatrends have become central to the growth investors are seeking amid turbulent markets: 71% say they are essential to achieving return objectives. A total of 61% of investors consider private markets to be better than public markets for accessing megatrend exposure, and infrastructure is especially well placed.

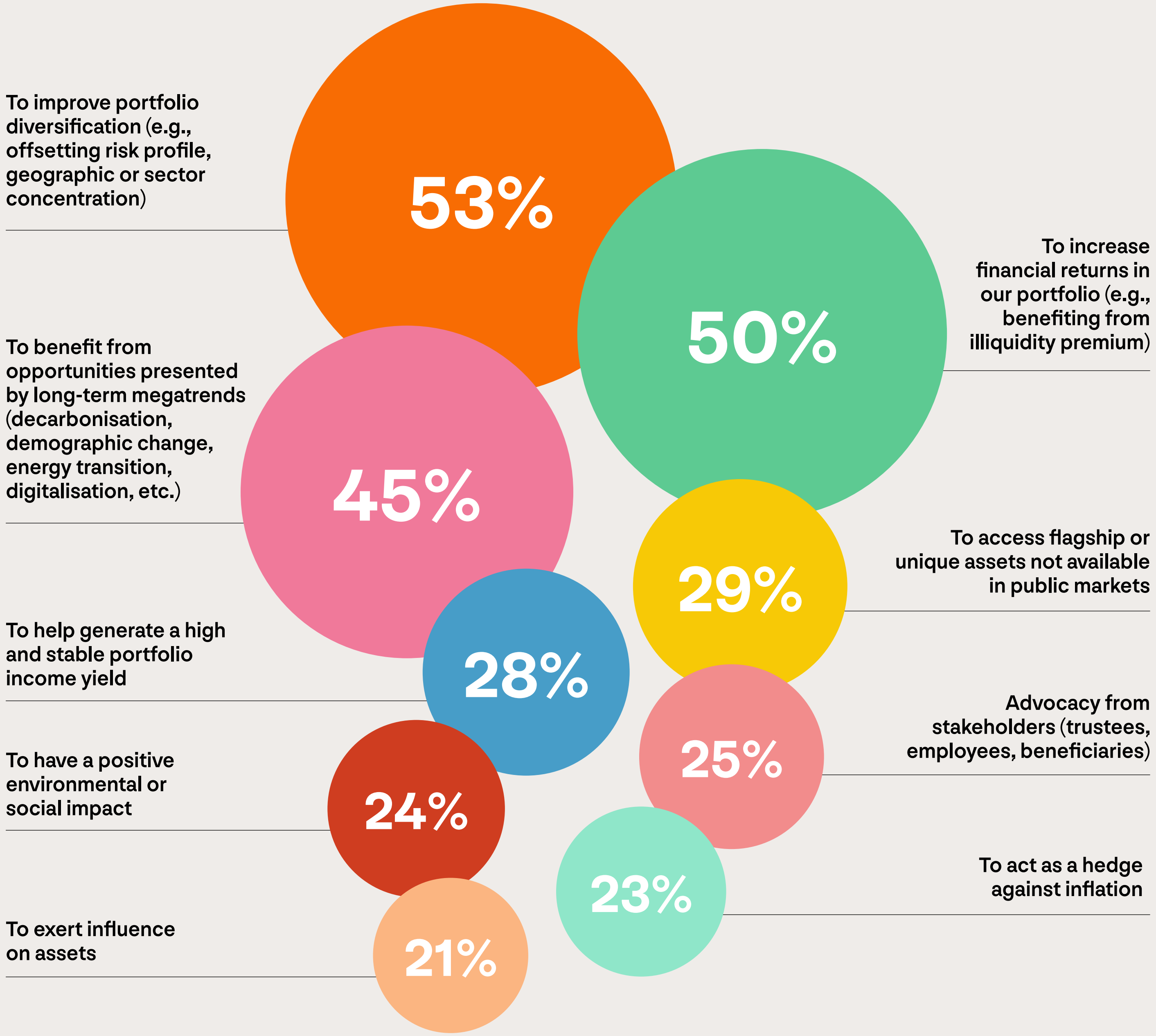
Many investors expect the growth side of their private markets strategy to be driven by megatrends. The global race to invest in digital transformation and AI, which was viewed as the third most impactful force in 2025, now ranks second. The imperative to mitigate climate change by decarbonising and make investments associated with the energy transition, and demographic change and population growth are also viewed as key drivers.

Megatrends are integral to most investors' long-term strategies: 71% say investing in them is essential to achieving their returns objectives. Private markets are seen as an effective way to access these overarching themes. A total of 61% of investors, rising to 68% in Asia-Pacific, say that private markets are better than public markets for building megatrend exposure.

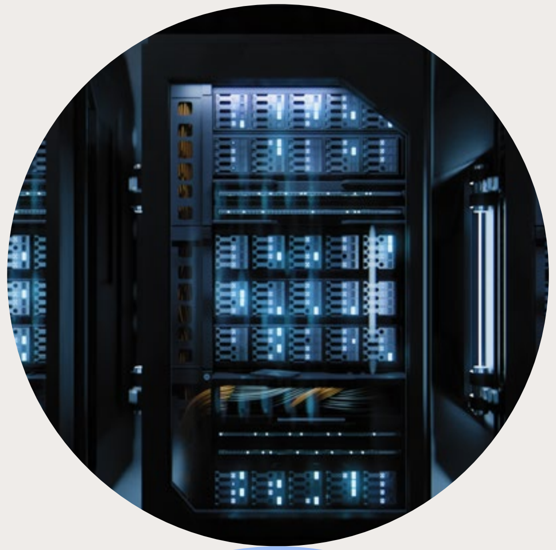
For IFM's Nikulina, the appeal of private markets is twofold in today's investment environment. "Asset allocators are certainly putting more weight on the resilience that diversification through private markets offers," she says. "But these markets also offer exposure to opportunities you just can't access as efficiently in the listed public domain, including many of the transformative themes to which investors are seeking exposure."

The megatrend that inspires most excitement revolves around technology-related areas. Four in 10 (40%) see advanced technologies, including AI, as one of the top three areas where their private markets activity has the greatest potential. And more than a third (34%, rising to 43% in Asia-Pacific) see digital infrastructure as a top-three area of potential. Moreover, 38% say that the rise of new technologies, and their demand for power, will be one of the forces that has the biggest impact on private market investments in the years ahead.

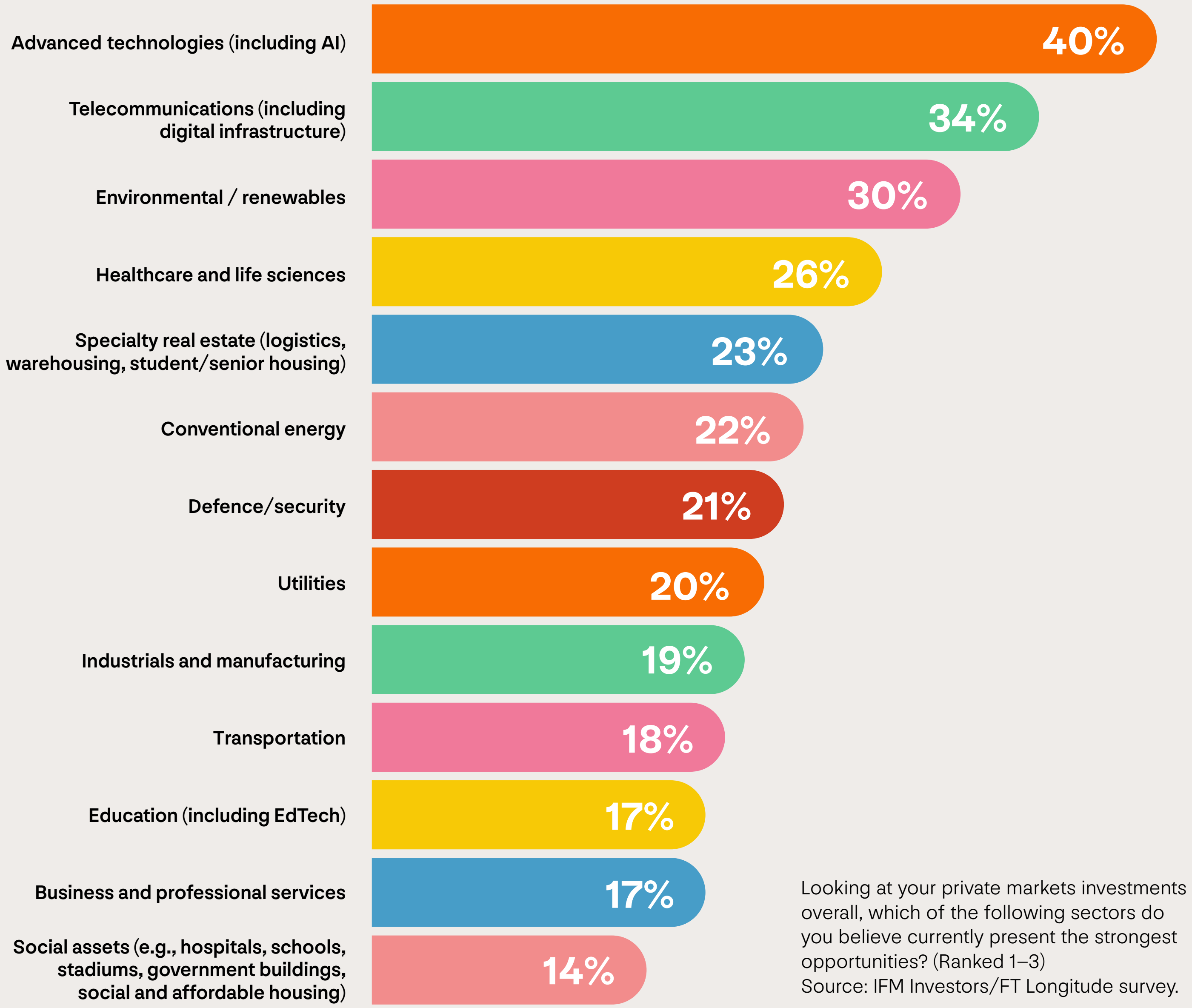
## Investors are looking for resilience, higher returns and megatrend exposure from their private market investments




What are the main reasons driving your organisation (and/or the clients you advise) to invest in private markets?
Source: IFM Investors/FT Longitude survey.



## Investors say that themes such as AI and the energy transition are the strongest investment opportunities




Looking at your private markets investments overall, which of the following sectors do you believe currently present the strongest opportunities? (Ranked 1–3)
Source: IFM Investors/FT Longitude survey.

> ## The most significant CapEx cycle that we've seen in the last 50 years.
>
> **Matthew Armas,**
> Chief Investment Officer,
> Prudential Financial

Demand for AI, in particular, is driving what Prudential Financial's Armas refers to as "the most significant CapEx cycle that we've seen in the last 50 years".

"When you deconstruct the demand pillars in AI, there is substantial and significant demand for the end-market services," he adds. "And that is what has kicked off the wave of investment that you have seen for this particular cycle, which is a substantial increase in the productivity of the technology, the availability of the technology, and then the investment required to bring that technology out to humanity."

The energy transition is also top of mind. Nearly three-quarters of investors (72%) believe the energy transition will be a long-term source of private market opportunities. In addition, 30% of investors (including 38% in EMEA) see environmental and renewable energy assets as one of their three strongest opportunities.

Private markets often provide opportunities to invest across these themes, which can be interlinked, according to IFM's Randall. "Decarbonisation and digitalisation sequentially exposed the obsolescence of global electrical systems," he says. "Policy changes and decarbonisation-related investing prompted the development of renewable energy generation, and the need for AI infrastructure then created a multiplier effect."

## Seeking returns from private market strategies

The ability of private market assets to use higher growth themes to bolster performance is a key part of their appeal. Half (50%) say that increasing financial returns is a top driver for investing in private market assets, rising to 54% in Asia-Pacific.

"You can gain digital and AI exposure through infrastructure, private equity and property, as well as within public markets," explains John Gee-Grant, Global Head of Client Solutions at IFM. "There are opportunities all around - not just in the technology itself. A bit like the sellers of picks and shovels could turn a profit, regardless of which miners struck gold, there's a similar opportunity for service providers across this megatrend."

Investors look particularly to private equity and infrastructure equity for return opportunities. They have an average net required return of 11.9% for private equity this year and are seeking 10.9% for infrastructure equity.

The appeal of private equity to investors has historically been linked to its ability to offer strong returns, and this remains the case today. A solid 45% say the main reason they would increase allocations to private equity over three to five years is because its returns over time have met or exceeded their expectations. They also appreciate that through active ownership, private equity can create value (42%).

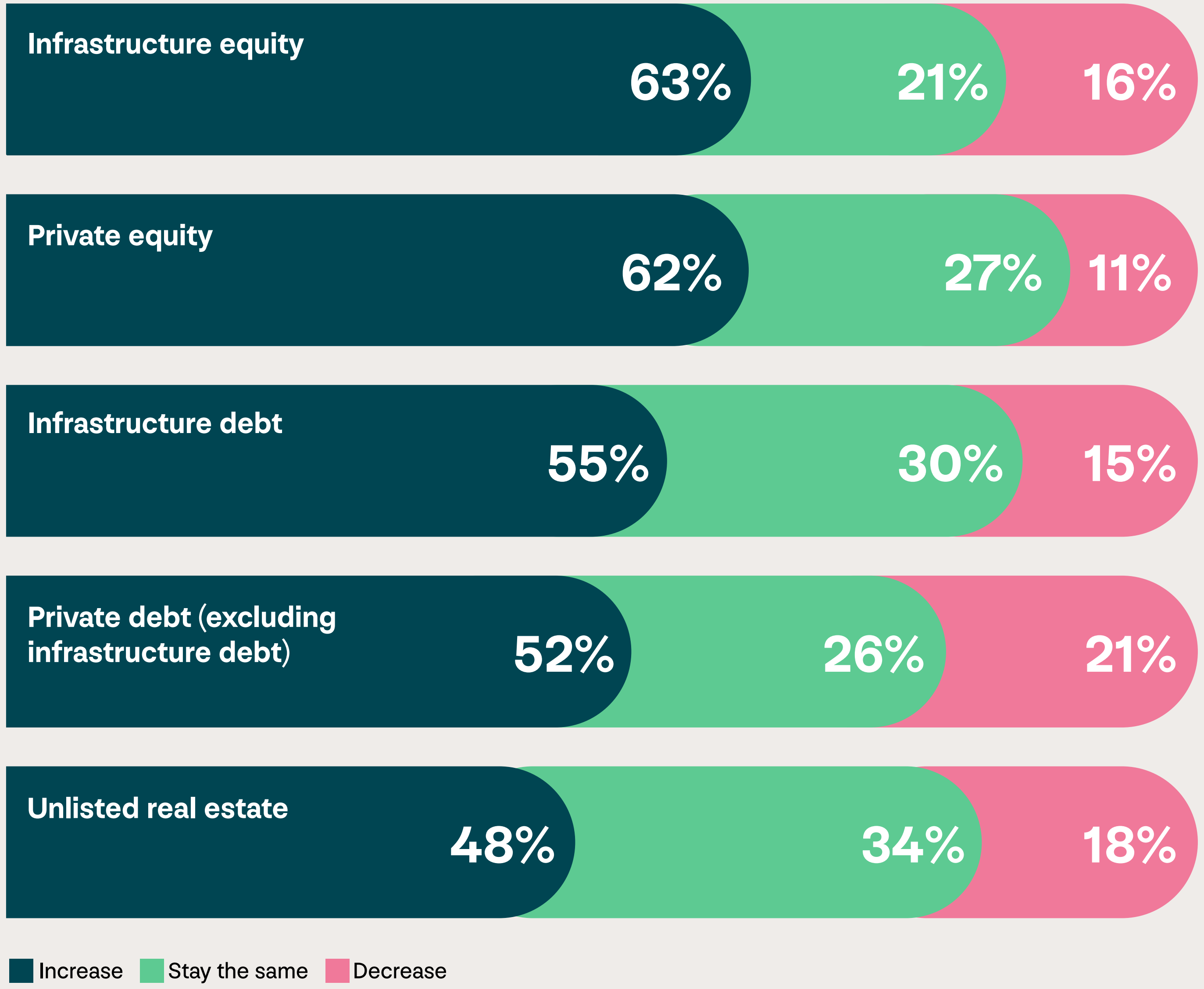
Investors have slightly more nuanced reasons for appreciating infrastructure equity investments. A total of 44% most like its ability to grant exposure to long-term themes such as the energy transition and digitalisation, but 42% point to its stable long-term cashflows, meaning the asset class meets both their key strategic objectives.

This stability may help to explain why infrastructure equity is, by a sliver, the most attractive private market asset class with this year's respondents. Almost two-thirds (63%) of investors say they plan to increase their allocation to infrastructure equity over three to five years, just ahead of private equity at 62%. Meanwhile, 55% of investors are looking to add to infrastructure debt, 52% intend to do so for private debt, and 48% are looking to add to unlisted real estate.

Deepa Bharadwaj, Head of Infrastructure, Europe at IFM Investors, says the ability of infrastructure investments to straddle protection and opportunity may account for some of this appeal.

"Infrastructure assets provide essential services that need to be available 24/7, and typically have strong demand through cycles," she says. "Combined with limited competition, these characteristics are a foundation for inflation hedging and resilience."

### Nearly two-thirds of investors plan to increase their exposure to infrastructure equity and private equity




Considering exposures to private market asset classes, what is your organisation's plan (and/or the advice you are putting forward to your clients) over the next three to five years?
Source: IFM Investors/FT Longitude survey.

“Grid connectivity is emerging as the biggest bottleneck.

**Deepa Bharadwaj**
Head of Infrastructure, Europe, IFM Investors

## The opportunity beyond overcrowded themes

According to IFM’s Bharadwaj, investors looking to access megatrends should consider opportunities across the broader infrastructure ecosystem, including power generation, electricity grids, cooling systems and fibre networks.

“Grid connectivity is emerging as the biggest bottleneck, but investors must also consider power generation, access to suitably located land, fibre connectivity and waste heat recovery,” she says. “You can’t invest in the AI pipeline without investing in its adjacencies.”

The rising appeal of megatrends is causing a valuation challenge, with large amounts of capital chasing potential deals. Almost two-thirds (62%) of investors say that inflows into these areas are putting pressure on future returns, which means they need to be selective and disciplined.

As Armas explains, this selectivity is essential to smarter investing: “You have to have the disciplined rigour and analysis to ask, ‘Where are we in this cycle? What is the forward projection of the returns and the realistic nature of the delivery of those returns? And then who is underwriting or financing the build out of such an investment?’”

While it is becoming more challenging to invest in these trends directly, investors can gain exposure through infrastructure adjacencies and mid-market opportunities, according to Sandra Lee, Head of Private Markets at UniSuper.

“Data centres have become a crowded space, but investors can invest in the smaller businesses that service data centres and essential infrastructure, where competition may be lower,” she says. “For example, we’ve invested in a business supporting grid infrastructure, which gives us direct exposure to the growing power demands of data centres and data usage.”

Another response is to look further down the value chain. The University of Sydney’s Collins points to natural resources as an example. “There is a whole range of megatrends, from AI and electrification to geopolitics and defence, which are going to require greater exposure to raw materials,” he says. “We have stepped up our natural resources exposure because we think that is one way to get ahead of some of these trends.”

## Real estate continues to attract capital

Almost half of investors (48%) plan to increase their allocations to unlisted real estate over the next three to five years, with investors aiming for an average return of 10.4% from the asset class.

Investors may be drawn to assets supported by long-term structural demand. Speciality real estate such as logistics, for example, can provide exposure to the continued growth of e-commerce, while areas such as student housing can benefit from demographic trends. Certain digital assets with long-duration contracted revenues may also display benefits traditionally associated with infrastructure.

But inflation-linked income alone does not make an asset resilient. Collins cautions that discipline remains critical. “Inflation linkage does not bring resilience if you overpay for the asset or the cashflow,” he says. “Inflation-linked rents offer some protection, but they won’t necessarily offset the impact of rising interest rates on property values.”

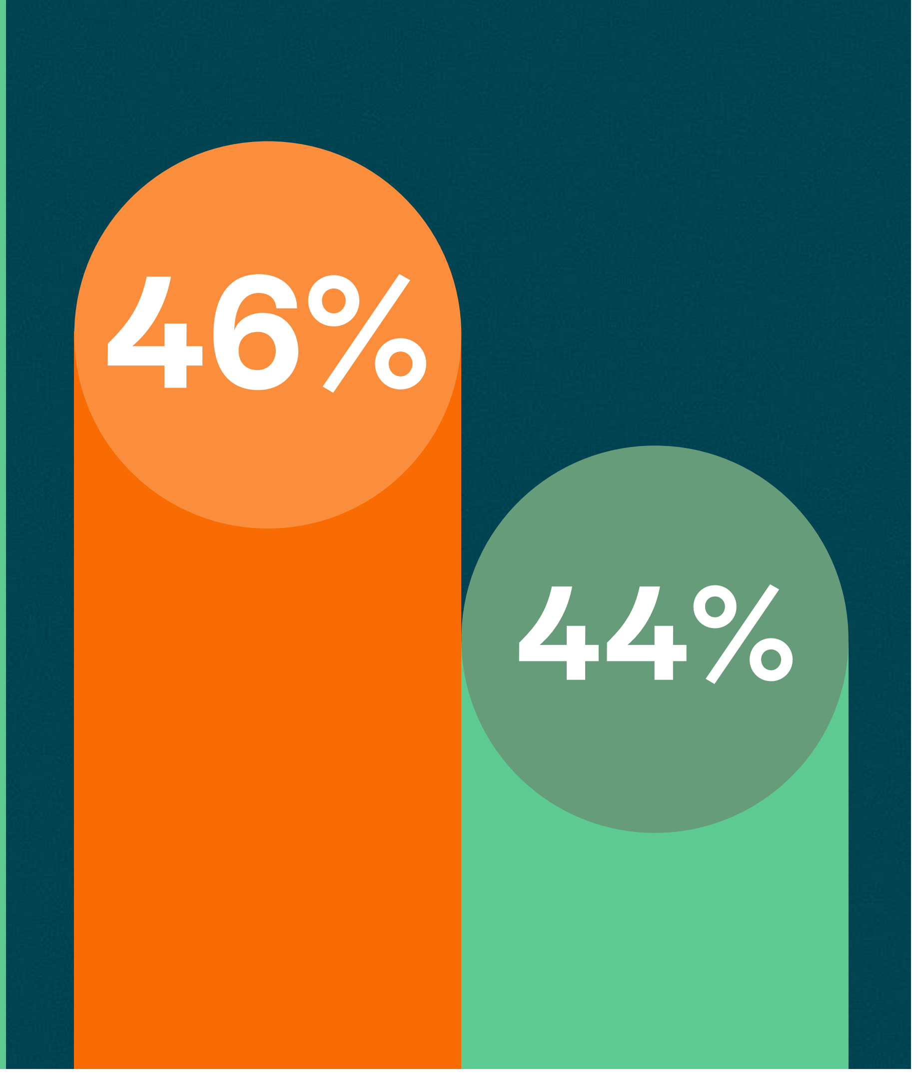
**PART 3**

# Turning conviction into allocation

**Explore the Private Markets 700 research hub**
Access an interactive snapshot of the headline findings and see how investor sentiment is evolving across private markets.

## KEY TAKEAWAY

Investors believe that private markets can help balance resilience and growth, but practical constraints around their implementation capabilities risk undermining this: 46% identify length of commitment or illiquidity as a top-three challenge when investing in private markets, while 44% believe limited expertise restricts their ability to scale thematic investments. To address this, they require strategic partnerships, more customised solutions and better data.



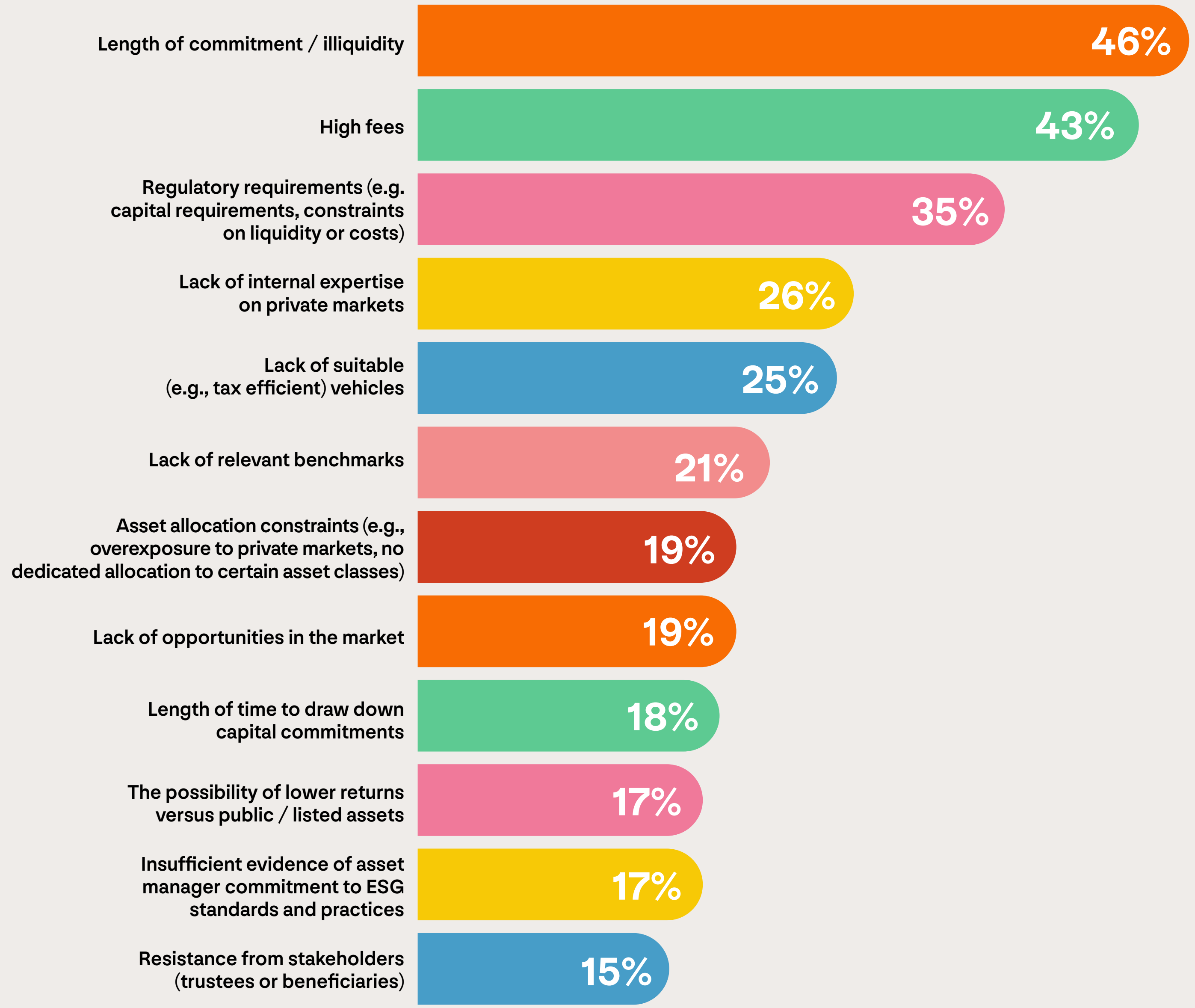

Investors' appetite for private markets is clear but allocation is being shaped by practical constraints. Governance, regulatory requirements, illiquidity and cost constraints affect how quickly, and through which structures, investors can translate conviction into capital commitments.

For the third consecutive year, the biggest concern investors have about private market assets is their length of commitment or illiquidity. High fees related to private market investments are also an impediment to further allocations.

More than one-third (35%) also identify additional regulatory requirements as a top-three challenge of investing in private markets, including the need to hold extra capital reserves or make provisions to mitigate liquidity constraints. These considerations can shape how both experienced and newer investors allocate to private markets.

However, as Prudential Financial's Armas notes, their illiquidity can add to the appeal of private assets. "The illiquidity of the asset is a feature," he says. "We believe it helps in preserving value by reducing exposure to market disruptions or credit events. Given we have the ability to manage the illiquidity within our balance sheet, I'm not looking for features that transform the illiquid to liquid."

## Length of commitment or illiquidity, high fees and regulatory requirements are investors' main barriers to investing in private markets




In your opinion, what are the main challenges or concerns when it comes to investing in private markets? (Ranked 1–3)
Source: IFM Investors/FT Longitude survey.

## Increasing focus on flexibility and customisation

While they are keen to invest in private markets, investors are seeking solutions that better align with their liquidity needs and preferred commitment terms. As many as 39% globally (rising to 48% in Asia-Pacific) say a solution that offers greater liquidity or more flexible redemption terms would encourage them to make further allocations to private markets.

"Investors such as defined contribution pension plans and private wealth have different liquidity demands," says IFM's Gee-Grant. "Having more open-ended funds coming to the market seems to have been positive in that regard."

There is also a noticeable desire for more direct investing into private market assets. Over a third of investors (35%) would welcome more opportunities to make direct investments alongside exposures through collective vehicles.

These co-investments are often more cost-effective, but according to UniSuper's Lee they can also give investors greater control. "We have a more concentrated holding in the underlying business, and we get governance with that," she says. "We can get board seat representation, for example."

In addition, three in 10 investors (33%, rising to 39% in North America) are looking for more customised solutions such as segregated mandates and completion portfolios. The advantages include the ability to support a more targeted asset allocation strategy that balances risk and reward; 32% would also like to see more solutions that align with their sustainability or impact objectives.

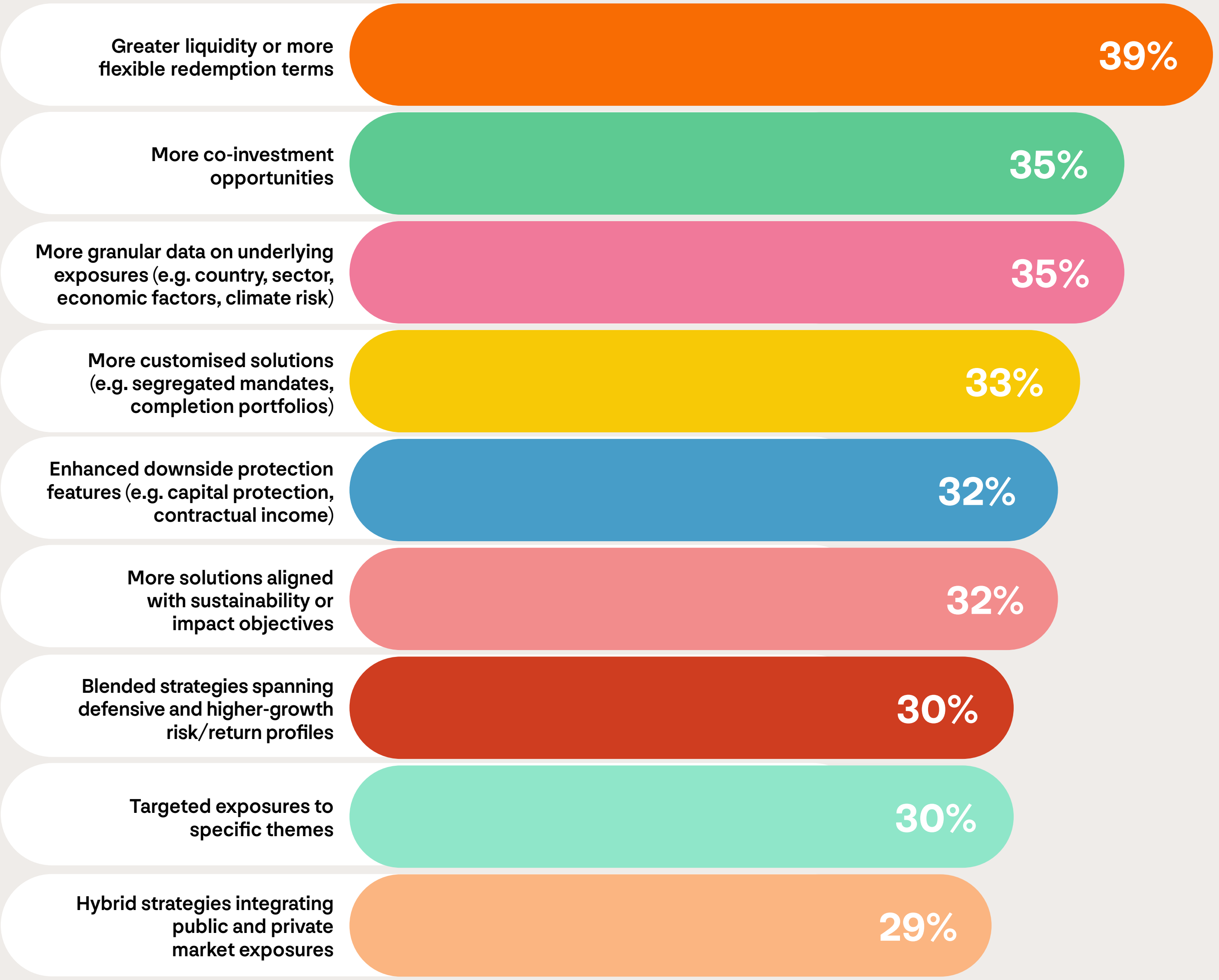
## Seeking greater visibility

Investors looking to increase private market allocations are placing greater emphasis on features that support more confident decision-making. For example, 35% seek more granular data on the underlying exposures of private market products by geography, industry sector or investment thematics.

Part of the challenge is the quality and availability of data in private markets. This has been lagging behind listed markets, where investors can look at historical datasets to help them make allocation decisions, says USS's Levenstein. "Private market datasets are getting more verifiable and easier to use and this trend needs to continue, allowing us to better understand what private market assets do to whole portfolio risk and return over the long term."

> **Private market datasets are getting more verifiable and easier to use.**
>
> **Ben Levenstein**
> Head of the Private Markets Group, USS

## Investors want more flexibility, co-investment opportunities, granular data and customised solutions




Looking ahead, what features of a product/solution/mandate would be the most appealing and/or would catalyse further allocations to private markets?
Source: IFM Investors/FT Longitude survey.

> **Our 'smart partnerships' approach means working with a small number of highly rated managers and going deeper in those relationships.**
>
> **Sandra Lee**
> Head of Private Markets, UniSuper

## Trusted partnerships fill knowledge gaps

In addition to better data, investing in private markets requires specialist knowledge and 26% of investors are concerned about the strength of their internal expertise when it comes to these asset classes.

The most attractive themes are often the hardest to implement well. Investing in AI, for example, requires an understanding of advanced technologies as well as power availability, grid capacity, land use and the commercial agreements underpinning these investments. Energy transition opportunities can be equally complex, shaped by policy, regulation, investor demand and regional energy security priorities. This may explain why 44% of investors believe their lack of expertise could limit their ability to scale investments in these complex thematic areas.

Investing with discipline will be critical to identifying the most effective ways to access these themes. For example, USS's Levenstein points out that co-investments require dedicated skill sets and resourcing. "Co-investment can reduce fees, but asset owners need the capability to execute," he says. "There is a requirement to have specialist knowledge in legal, tax and underwriting resources, and they must be able to move within the manager's timetable."

Investors need to be deliberate about which capabilities they develop internally and which they access through partners. Insourcing every specialist capability would not be the most effective approach for an organisation the size of the University of Sydney, Collins points out. "Building trusted relationships is a core part of what we do. We want long-term relationships with external managers and to work with them to adapt strategies, where appropriate, to respond to the shifting environment."

Investors are looking for genuine value from these partnerships, echoes UniSuper's Lee. "Our 'smart partnerships' approach means working with a small number of highly rated managers and going deeper in those relationships. That can give us priority access to high-quality deal flow, co-investment opportunities and governance rights, while giving us the support of partners with local expert teams on the ground."

PART 4

# Investors' preferences are diverging

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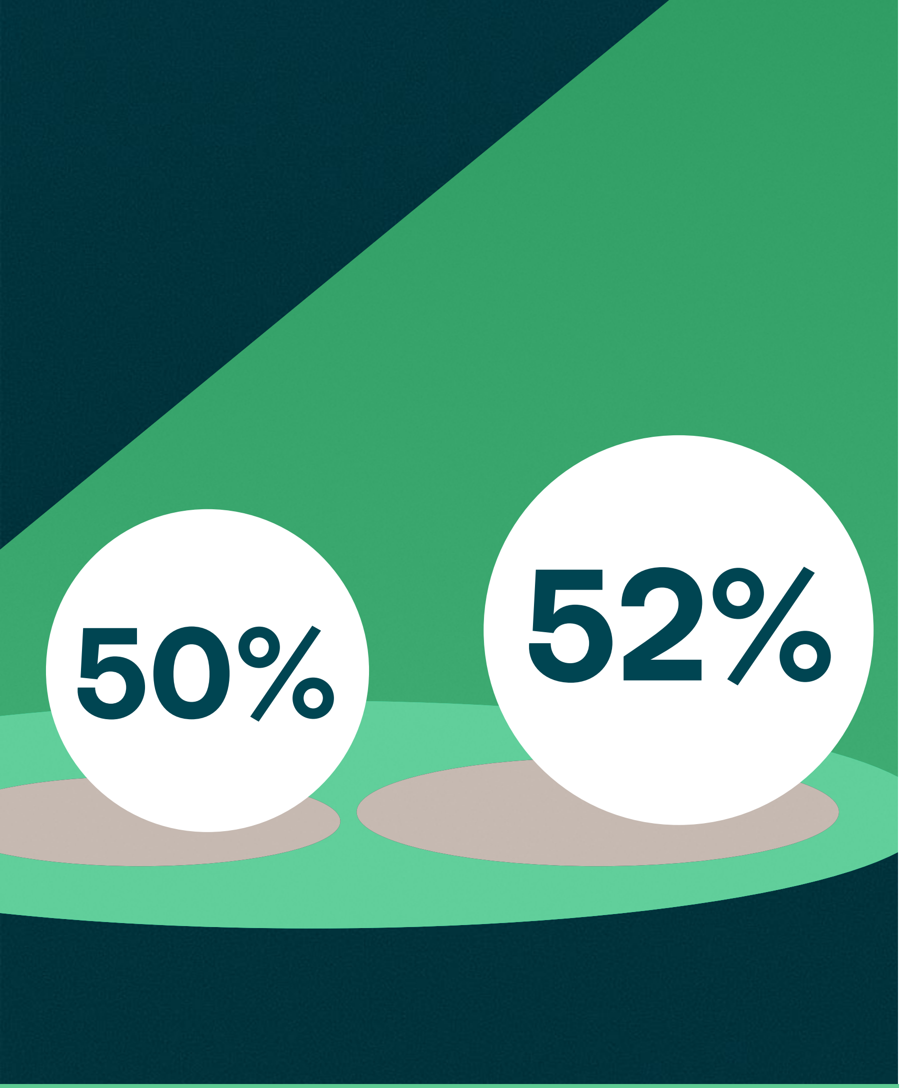
Access an interactive snapshot of the headline findings and see how investor sentiment is evolving across private markets.

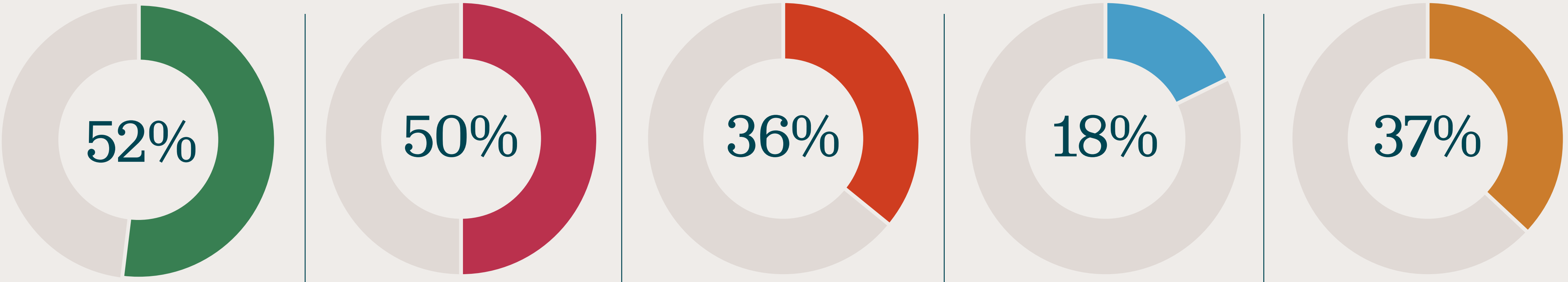



### KEY TAKEAWAY

Investors broadly agree they want to achieve both greater resilience and better return outcomes through private markets, but the way they do so varies by region. Developed markets remain the primary destination for private capital, with 52% investing in North America and 50% in Western Europe. But regional and cross-investor priorities are diverging, prompting asset managers to address distinct demands.

## Investors prefer developed markets

As they pursue private market investment opportunities at a global level, investors express a clear preference for developed markets:




**52%** have investments in the US and Canada

**50%** have investments in Western Europe

**36%** have investments in the Asia-Pacific region (excluding Australia and New Zealand)

**18%** have investments in Australia and New Zealand

**37%** choose to invest via a globally diversified vehicle

**“For long-term investments, a stable investment and regulatory environment is critical.**

**Deepa Bharadwaj**
Head of Infrastructure, Europe, IFM Investors

Investors have good reasons for their bias towards developed markets. More than half (59% targeting Western Europe, 57% focusing on North America) highlight the broad co-investment and direct opportunities available in these markets, for instance. They are also conscious of risk and cite the greater geopolitical stability of some developed markets. This is particularly important in private market asset classes, where investors expect to maintain exposures in the long term.

“For long-term investments, a stable investment and regulatory environment is critical, because investors need confidence that contracts, pass-through mechanisms and concession agreements will hold,” says IFM’s Bharadwaj. “The appeal of North America lies in its larger transaction sizes and depth of opportunity, whereas Europe offers exposure to diverse markets where regulatory developments can create attractive long-term investment opportunities.”

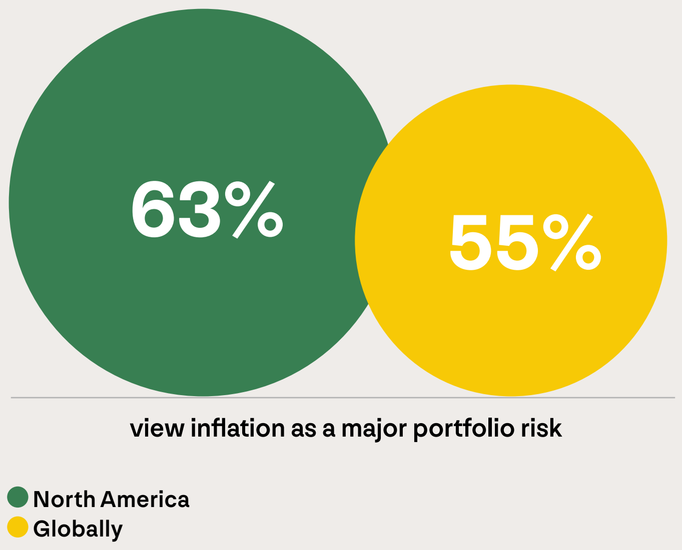
## Different regions have different approaches

## North America: Resilience through domestic and strategic investments

North American investors and advisers have a notable home bias: 67% say they are currently focusing their private market investments in the US and Canada.

They also have the strongest appetite for private debt: 55% plan to increase their private debt allocation in the next three to five years, compared with 52% globally. And they are more concerned about inflation than investors and advisers elsewhere: 63% view it as a major portfolio risk, compared with 55% globally.

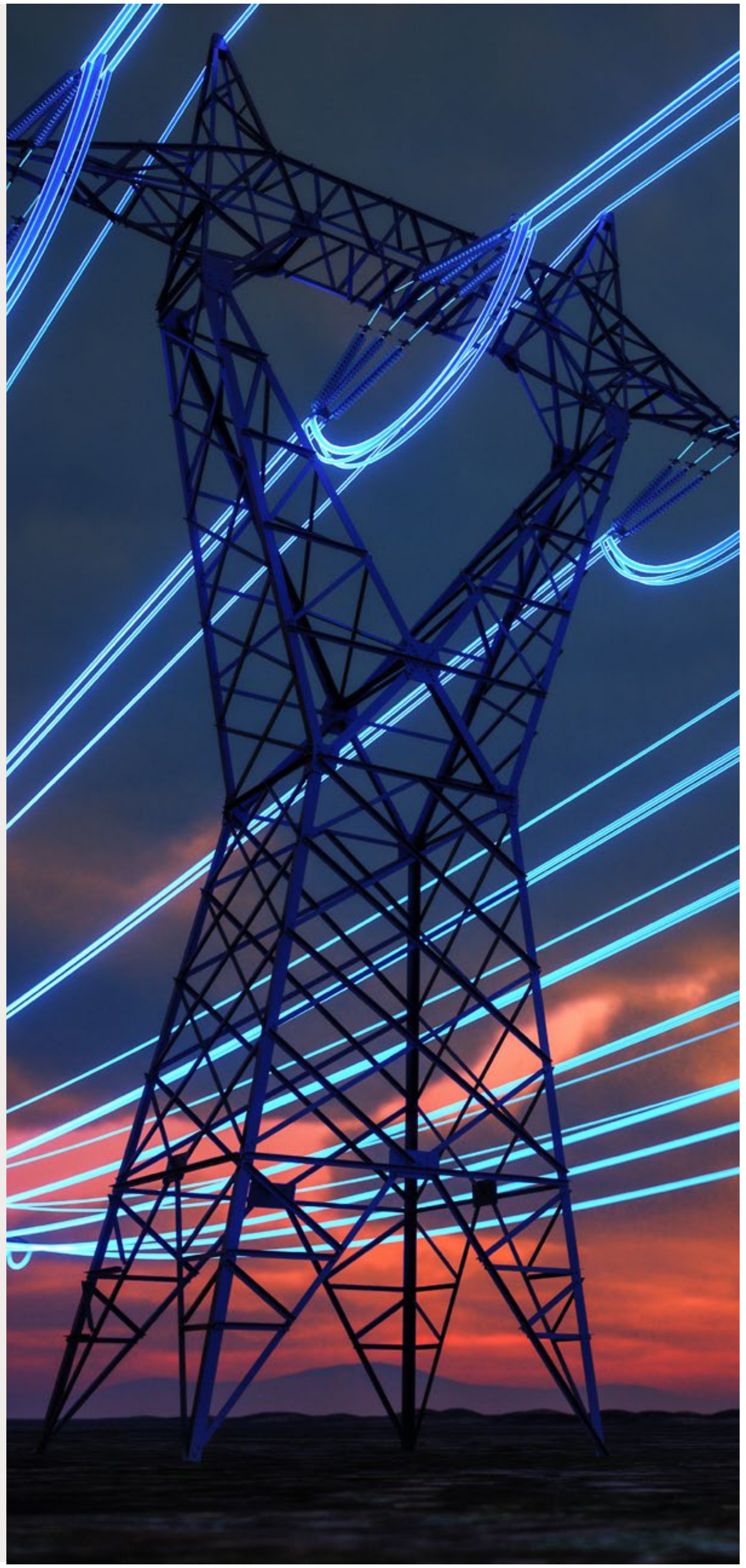
Investors in North America are more interested in tailored private markets investments; 39% say they want more customised investment solutions such as segregated mandates and completion portfolios (rising to 43% of North American asset owners, compared with 33% globally).




These preferences may point to a more defensive mindset, as more investors look to invest closer to home in their developed markets amid concerns about rising prices. The desire for customisation may also indicate that North American investors are more comfortable using private markets in a targeted way.

North American investors still see the energy transition as a meaningful investment theme: 65% agree that it’s a source of attractive private market opportunities, albeit below the global figure of 72%. Yet they are also more likely than global peers to see the conventional energy sector as presenting the strongest private market opportunities (28% compared with 22% globally). This points to a broader energy mix emphasis in North America, as the US seeks to meet rapidly rising power demand – driven not only by data centres but also by the broader electrification of transport, real estate, manufacturing and supply chains.

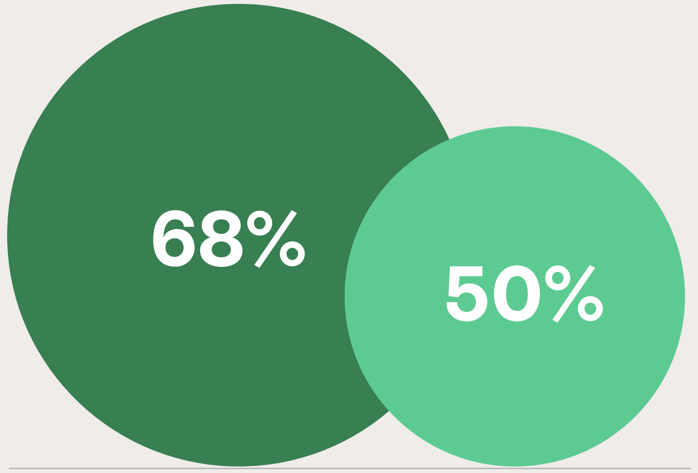
Another notable difference between North American investors and their contemporaries is that they are particularly likely to see opportunities in the defence sector (25%, rising to 32% of North American insurers and 34% of North American wealth managers, compared with 21% globally).



## EMEA: Resilience through sustainability-focused priorities

EMEA investors have historically emphasised the importance of climate-related investing and regulations, so it is not surprising to see this region's investors are the most focused on decarbonisation and the climate change agenda as a source of investment opportunity in private markets.

Eight in 10 (81%, rising to 88% of EMEA consultants, versus 72% globally), say the energy transition has potential as a long-term source of private market investment. Plus, more than a third (38%) regard the environmental and renewable energy sector as the strongest source of opportunity, compared with 30% of investors overall. Among EMEA investors, only advanced technologies rank higher. This suggests the energy transition and renewables are likely to remain central to EMEA private market allocations.




say that Western Europe is their focus for private market investment

EMEA
Globally

EMEA investors also appear to be quite alert to global risks, with 55% identifying geopolitical instability as a risk to their portfolios (rising to 59% of EMEA insurers). Inflation is their second-most-cited risk (51%).

Notably, EMEA investors are broadly on par with the global average when it comes to their private markets allocation plans for the next three to five years. This, combined with the factors outlined above, suggests the region's investors may be taking a more selective approach to private markets. They are applying their climate conviction with discipline by filtering for opportunities in markets where they better understand the risk profile.

Just as with North American investors, the combination of macro concerns and familiarity with local regulations may help to explain why European investors also have a sizeable home bias. More than two-thirds (68%) say that Western Europe is their focus for private market investment, compared with 50% of investors globally.

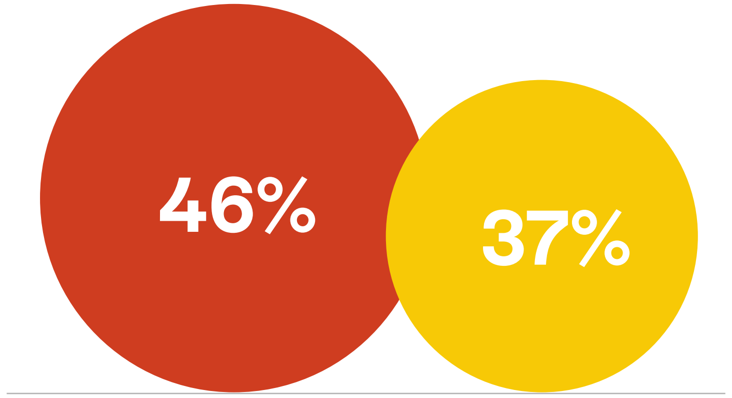
## Asia (including Japan): Resilience through technology infrastructure

In Asia (including Japan), investors have the strongest appetite for infrastructure investments — both equity and debt. Three-quarters (75%) plan to increase their exposure to infrastructure equity over the next three to five years, compared with 63% of investors globally. And 61% plan to increase their exposure to infrastructure debt (compared with 55% globally). They also have the strongest desire to grow private equity allocations in the coming years (67% compared with 62% globally).

Asian investors' enthusiasm for these asset classes reflects strong intention to increase private market exposure, while also reinforcing their focus on long-term themes and resilience through diversification.

Asian investors are also focused on technology-related opportunities, perhaps due to the presence of advanced tech-manufacturing and exporting nations such as China, Korea and Japan. For example, 46% see telecoms infrastructure as a particularly promising option for private market investment, compared with 34% of investors globally. And 78%, rising to 85% of Asia-Pacific wealth managers, compared with 71% globally, say it is important to invest in long-term megatrends such as AI to achieve their returns objectives.

Compared with global peers, Asian investors are prepared to cast further afield when it comes to accessing private market opportunities. A total of 46% say they have exposure to globally diversified vehicles, compared with only 37% globally. Often, this is because they see the potential of these vehicles to mitigate geopolitical risk. And 39% of Asian investors would consider raising their private market allocation if they had more access to hybrid strategies that integrate public and private market exposures; 38% are looking for more co-investment opportunities.




say they have exposure to globally diversified vehicles

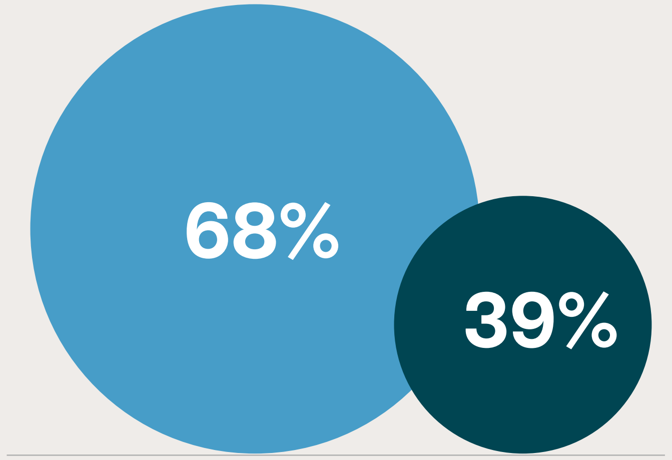
Asia (inc Japan)
Globally

## Australia: Resilience through real assets and flexibility

In Australia, investors and advisers share the appetite for infrastructure seen elsewhere in Asia — particularly infrastructure equity (75% plan to increase allocations over the next three to five years, compared with 63% globally). Investors are also more likely to be planning to increase allocations to unlisted real estate (60%, compared with 48% globally).

Australian investors' comfort with infrastructure equity and real estate may reflect the nation's longstanding superannuation fund industry, which has invested in both asset classes for decades. This strong preference for real assets may also explain why one third of Australian investors plan to decrease their allocations to private debt in the coming three to five years (33% compared with just 21% of investors globally).

Their experience with these asset classes may also explain why investors in Australia are more prepared to invest via globally diversified vehicles (59% have these investments versus 37% globally). Australian respondents also place greater emphasis on flexibility: 68%, compared with 39% globally, say greater liquidity and more flexible redemption terms would catalyse additional private market investments.




say greater liquidity and more flexible redemption terms would catalyse additional private market investments

- Australia
- Globally

## Cross-investor priorities reflect distinct needs

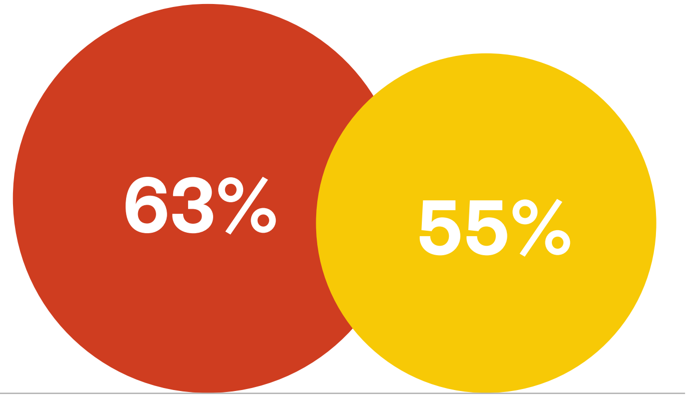
Across investor types, the appeal of private markets is becoming both more sophisticated and more fragmented. Asset owners, insurers, wealth managers and consultants are no longer seeking generic exposure. Rather, they seek tailored solutions that reflect their distinct needs around diversification, expertise, sustainability and control.

Pension funds are particularly representative of the desire to build a balanced strategy that grants resilience and long-term growth. A strong 63% plan to increase allocations to infrastructure debt over the coming three to five years (compared with 55% of investors overall). Thematic growth remains important to pension funds, though it's not as prominent a consideration as it is across the broader investor base. Over six in 10 investors (62%) say AI, the energy transition and demographic change are essential return objectives (compared with 71% overall). Consistent with this, 36% of pension funds are investing in private markets to benefit from the opportunities presented by long-term megatrends (compared with 45% overall).

Insurers seek greater control over how they access private market opportunities, which is shaping their appetite for co-investing: 71% are increasing their use of co-investments, secondaries and other implementation tools (compared with 65% overall). These investors believe co-investments offer good access to high-quality opportunities, enhanced return potential and better cost efficiency. At the same time, two in five insurers (41%, compared with 35% overall) would welcome more opportunities to make direct investments alongside exposures secured through collective vehicles.

Wealth managers are seeking private market opportunities that balance investment returns with expertise. Nearly three-quarters of this group (72%, compared with 62% overall) plan to increase their private equity exposure, yet more than half (51%, compared with 44% overall) say limited internal expertise restricts investment in complex themes. Despite this, wealth managers have relatively high return ambitions: 77% are targeting returns of at least 10% from their private equity investments (compared with 66% of investors overall).

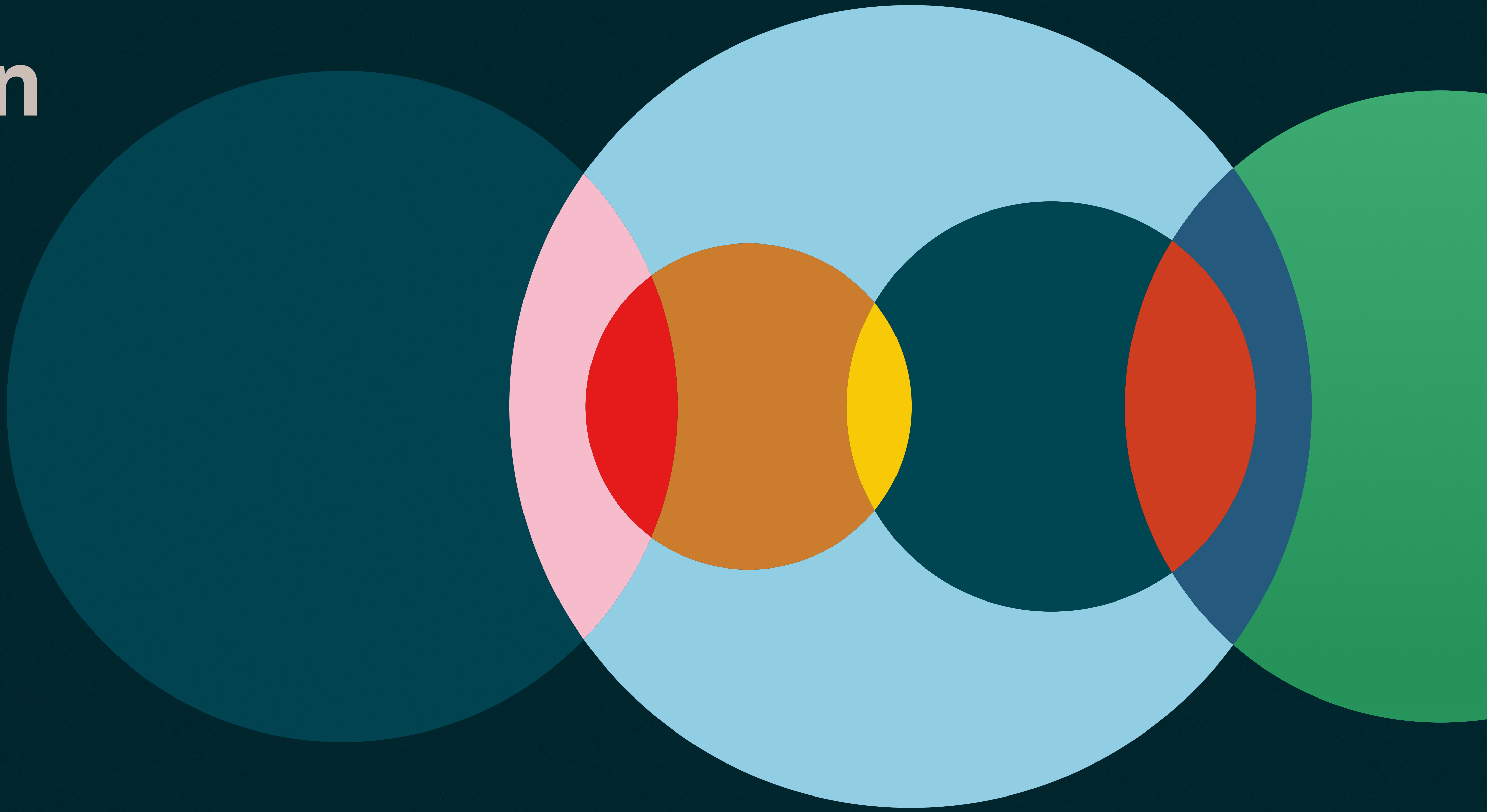
Consultants are looking to private markets as reliable tools for portfolio construction, while they prioritise diversification and sustainability in their allocation decisions. Nearly two-thirds (64% of consultants, compared with 53% of investors overall) cite diversification as a principal reason to increase exposure to private markets. In parallel, 77% of consultants believe the energy transition will be a long-term source of private market opportunities (compared with 72% overall), and 43% would like to see more solutions that align with their sustainability or impact objectives (compared with 32% overall).




say they plan to increase allocations to infrastructure debt over the coming three to five years

- Pension and superannuation funds
- All investors

# Partnerships can help investors find the right balance



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Private markets could play a key role in helping investors address two objectives: increasing portfolio durability during heightened geopolitical uncertainty and persistent inflation, while pursuing growth in returns through new investment opportunities.

"Investors still want growth, but they increasingly want resilience alongside it," says IFM's Gee-Grant. "They are looking at private markets as portfolio builders, rather than simply return chasers."

Private markets also give investors access to new opportunities aligned to global megatrends such as AI, digital transformation and the energy transition, which investors expect to support long-term returns. But as these themes become more competitive and complex, investors are having to be more selective about where and how they allocate.

Accessing these opportunities is also becoming more demanding. Many investors acknowledge they lack the internal capabilities to take full advantage of these opportunities, particularly as macroeconomic uncertainty persists. At the same time, they are attracted by the high-quality opportunities offered by more specialist investment strategies including direct investments (43%), co-investments (40%) or segregated externally managed accounts (35%).

This points to a greater role for strategic external partners who can help provide investment expertise, product and service innovation, clearer portfolio insight and accountability.

The strength of private market allocations in investor portfolios today underlines their importance. As investors seek a balance between resilience and returns, strategic partnerships are likely to play a greater role in helping them access and manage more complex opportunities.

## Six key takeaways

**1** Macroeconomic concerns are impacting investors' private market approaches

**2** Megatrends are seen as core to long-term investing returns

**3** Investors are looking for expertise, information and partnerships to invest more effectively

**4** Regions are displaying greater variety in investment priorities

**5** Infrastructure equity is gaining support across the globe

**6** Energy transition and climate change remain important for private markets investing

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