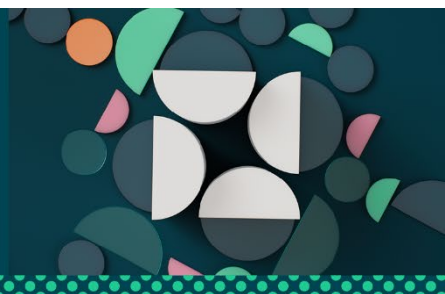


# Media Release

IFM Investors 



## IFM INVESTORS' PRIVATE MARKET EXPECTATIONS FOR 2025

**Tuesday 14 January**

IFM Investors has released its inaugural Private Markets Macro Outlook, including perspectives on the macro-outlook for the year ahead from IFM's Chief Economist Alex Joiner, as well as IFM's diversified credit, private equity, infrastructure equity and infrastructure debt experts.

IFM's Private Markets Outlook suggests that despite the public markets closing out 2024 at near all-time highs, there are uncertainties going into 2025 that investors may need to weigh up.

"2025 will likely see political and geopolitical risk awarded equal importance, as the world weighs up the impact of the incoming US administration on trade policy, but also the ongoing wars in Ukraine and the Middle East," said IFM Investors Chief Economist, Alex Joiner.

"How the US Administration deals with actual, as opposed to economic, conflicts – notably Russia-Ukraine and in the Middle East – will also inject uncertainty into the outlook."

IFM's 2025 Private Markets Outlook also expects:

- Sub-investment grade debt opportunities to earn 350-600bps above prevailing interest rates dependent on region and sub-sector, and 150-350bps for investment-grade debt opportunities. This is despite continuing tightening in corporate credit spreads.
- Data centres to remain a crucial growth market, with data centre traffic set to reach 49.7 zettabytes in 2025, continuing a compound annual growth rate of around 25% witnessed since 2016.

### **Economic Outlook**

The Private Markets Macro Outlook contemplates the potential impact of the incoming US administrations' corporate tax cuts and tariffs on China.

"Investors will need to consider the growth and inflationary implications of these (and other) policies collectively – an impossible task as it stands," said Joiner.

Expected tailwinds include improving economic conditions, robust government spending and support for infrastructure, decarbonisation efforts, rapidly expanding electricity demand, and the need for more and improved digital infrastructure.

"These projects often remain resilient during economic cycles due to their essential nature," said Joiner.

The US outlook is for growth slightly above trend, while Japan, UK and the Eurozone are expected to be distinctly at trend and China is expected to grow slightly below its current target.

IFM's Outlook also predicts that equities exposure will remain preferable to bonds, despite an expectation that gains in equity markets will be far more measured in 2025.

"Equities have seemingly priced in many of the pro-growth economic initiatives from the incoming administration, largely tax cuts, and less of those impeding it. This has resulted in US markets in particular having stretched valuations against most metrics and against current economic performance," said Joiner.

"At least to some degree earnings and economic performance will need to come through in 2025 to justify markets moving higher again."

### **Infrastructure Equity Outlook**

According to IFM's Outlook, as countries continue to decarbonise energy grids and transport, there will be growing opportunities to invest in the enabling infrastructure – such as electricity transmission.

There will also be appetite for connecting emerging renewable projects to the grid and charging infrastructure for the growing number of electric vehicles on the roads.

We believe data centres will continue to experience rapid growth and ongoing investment interest after a number of high-profile transactions over the last two years.

"This theme was also reflected in our Private Markets 700 research, with 46% of respondents indicating that digital infrastructure will play an important role across infrastructure equity and debt markets in 2025," said IFM Investors Head of Infrastructure North America, Julio Garcia.

### **Infrastructure Debt Outlook**

The Private Markets Macro Outlook predicts there will be a continued focus on decarbonisation to generate growth in traditional renewables such as solar and wind projects.

In the US, power demand is likely to expand at a significant rate, with approximately 500 GW of new generation capacity expected to be connected to the grid over the next ten years due to these needs.

"We expect to see more emerging technologies and alternative fuels seeking debt financing and continued global adoption of successful biomass and biogas projects that can help support local power and energy supply," said IFM Investors Global Head of Debt Investment, Rich Randall.

### **Diversified Credit Outlook**

The Outlook finds 2025 begins with an environment for private credit that is much more attractive than many would have expected even 12 months ago.

"We now predict a scenario where base rates will likely remain relatively high throughout the year, with the first rate cut not expected before May, and for credit spreads to remain elevated, allowing for an all-in risk premium that will offer private credit lenders attractive returns," said IFM Investors Co-Head of Australian Diversified Credit, Lillian Nunez.

“We seek to invest across the Australian economy, so the improving economic outlook – one that sees a rising tide lifting all boats – is a positive, and will drive business confidence and see a greater number of corporates re-invest in their own growth,” said IFM Investors Co-Head of Australian Diversified Credit, Hiran Wanigasekera.

### **Private Equity Outlook**

IFM Investors’ Outlook predicts opportunities over the next 12 months in the lower and mid-market where more Australian businesses are growing and innovating.

“The sectors which we deem inherently high growth in the coming year are software, tech-enabled services and healthcare, where we seek attributes that demonstrate the businesses are both proven and have actionable growth,” said IFM Investors Global Head of Private Equity, Stuart Wardman-Browne.

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### **About IFM Investors**

IFM Investors is a global private markets manager, established more than 25 years ago with the purpose to invest, protect and grow the long-term retirement savings of working people. Owned by Australian pension funds, the organisation has approximately A\$221.7 billion under management as at 30 September 2024. Because IFM is owned by industry pension funds, we prioritise the interests of 717 like-minded investors worldwide by focusing on assets that combine excellent long-term risk/reward characteristics with broad economic and social benefits to the community. Operating globally from offices in Melbourne, Sydney, London, Berlin, Zurich, Amsterdam, Milan, New York, Houston, Hong Kong, Seoul and Tokyo, IFM manages investments across infrastructure equity, debt, listed equities and private equity assets. For more information, visit [www.ifminvestors.com](http://www.ifminvestors.com).