

Media Release

IFM Investors 



Infrastructure allocation set to grow by 20% as a strategy to manage risk in uncertain times

Infrastructure investments have emerged as a key strategy against risk for investors in uncertain times, with allocations expected to increase by 20 percent during the next five years. The finding is part of the latest PM700 report from the pension funds-owned global investment manager, IFM Investors.

Its annual research, PM700, tracks responses from more than 700 senior investment professionals from around the world, uncovers the latest private markets investment trends, with tailored insights for North America, Asia-Pacific and across Europe.

This year's research found that the proportion of investors allocating to infrastructure is due to increase globally from 49 per cent to 60 per cent by 2030, as they look to private markets to combat geopolitical risk and macroeconomic volatility.

Alongside returns, risk management was a key driver of infrastructure investments and broader private market strategies, with nearly half of investors (47%) citing diversification, inflation hedging and resilience as their principal reasons for allocating to private markets. The research also finds that most institutional investors view geopolitics and macroeconomic factors as key drivers of asset allocation, prompting a shift to private markets.

Return gap between private equity and infrastructure narrows

The trend towards increased infrastructure allocation comes as investors report that infrastructure equity and debt investments have met or exceeded return expectations in the last 12-18 months. More than half (57%) said infrastructure equity returns exceeded expectations, while 49% reported the same for debt investments. Net return expectations for infrastructure equity are now 13.4%, up 200bps from 2024, and nearly on par with private equity (13.65%). Infrastructure debt net return expectations are 9.6%, up 170bps from 2024.

The report highlights that while core strategies remain popular, investors are moving up the risk/return curves.

- Seven out of 10 investors (71%) seek opportunities that straddle private equity and infrastructure;
- almost half (46%) target value add strategies; and
- more than two thirds (67%) think the mid-market space is an attractive area of infrastructure investment.

The need for positive policy

Investors are advocating for regulatory and policy measures to help unlock this supply of investible projects. The top barriers to infrastructure investing were cited as asset allocation constraints and deal supply not meeting demand. Six in 10 respondents also commented that higher risk/return solutions will draw more private capital into infrastructure.

Quotes attributable to Luba Nikulina, Chief Strategy Officer at IFM Investors:

“Fears around geopolitical shocks and macroeconomic uncertainty are pushing institutional investors to rethink investment strategies and explore alternative assets. In times of market stress, public asset prices often become volatile and correlated, undermining traditional diversification and driving a shift toward private markets for more effective risk management and growth potential.”

“Valued for its potential to deliver equity-like returns with lower volatility, infrastructure is an all-weather asset class that comes into its own during times of uncertainty.”

“As well as addressing essential global needs such as energy, transportation, and digital connectivity, we’ve also observed a significant pick-up in the expected returns from infrastructure, both on the equity and debt sides, with an expectation of more alpha coming out of these asset classes.”

“While investor appetite for infrastructure is high, deal supply must accelerate. Regulatory reform can help faster planning approvals, clarity in cross-border frameworks, and government-backed revenue mechanisms are all key instruments. We believe with regulatory support; the asset class has the ability to grow as a magnet for investment.”

Regional Findings:

APAC:

- The APAC region has the highest allocations to infrastructure equity and debt at 56 percent, with planned allocations over the next 3-5 years expected to increase to 67%. As infrastructure investing pioneers, Australian investors have the highest allocations to infrastructure equity and debt at 65%, and planned allocations over the next 3-5 years are also highest at 75%.
- Almost half of respondents’ (47%) main driver for investing in private markets is to manage portfolio risk (e.g. for diversification, inflation hedging) with 43% citing to benefit from illiquidity premiums.
- Almost two thirds of investors (64%) cited geopolitics as the megatrend having the greatest impact on their private market investments, with new technologies the second at 53% and macroeconomics third at 52%.
- The top three sub-themes cited as presenting the strongest opportunity in infrastructure equity for investors are social (hospitals, schools, stadiums, government buildings, social & affordable housing) (55%), digital, AI and/or telecommunications (47%) and environmental (47%)
- The top three sub-themes cited as presenting the strongest opportunity in infrastructure debt for investors are digital, AI and/or telecommunications (45%), social (hospitals, schools, stadiums, government buildings, social & affordable housing) (45%), and transportation (43%). APAC investors are slightly lower on the risk curve for infrastructure equity investments, with a majority (52% vs 39%)

targeting Core-plus levels of return for infra equity investments. Their top driver to invest in infrastructure equity is to have a positive social impact (44% vs 37%).

- Infrastructure debt investors in APAC have the highest net return expectations across regions (9.8% vs 9.6%). This may be because a higher number (53% vs 49%) say infra debt investments met or exceeded their return expectations in the last 12-18 months. They view transportation (19%) as the single most attractive sector, rather than digital infrastructure, the global top pick.

North America:

- Almost half of investors in North America (49%) will invest in infrastructure in the next 12 months, increasing to almost two thirds (61%) over the next 3-5 years.
- Almost half of respondents' (48%) main driver for investing in private markets is to manage portfolio risk (e.g. for diversification, inflation hedging) with 45% citing increasing returns.
- Six in 10 (61%) investors in North America cite geopolitics as the megatrend having the greatest impact on their private market investments, with macro-economics second at 53%, and conflicts third at 51%.
- The top three sub-themes cited as presenting the strongest opportunity in infrastructure equity for investors in North America are social (hospitals, schools, stadiums, government buildings, social & affordable housing) (54%), conventional energy (37%) and transportation (37%).
- The top three sub-themes cited as presenting the strongest opportunity in infrastructure debt for investors in North America are digital, AI and/or telecommunications (40%), social (hospitals, schools, stadiums, government buildings, social & affordable housing) (39%), and conventional energy (35%).
- Net return expectations for infrastructure equity are highest among North American investors (13.5% vs 13.4% across regions). This may be due to the higher number (61% vs 57% globally) stating that returns for infrastructure equity investments in the last 12-18 months have either met or exceeded expectations.
- Investors in North America are most likely to invest in higher risk/return profiles for infrastructure equity, with 47% aiming for Value-add levels of return and a further 4% aiming for Opportunistic.

EMEA:

- Almost half of investors in Western Europe (45%) will invest in infrastructure in the next 12 months, increasing to 56% over the next 3-5 years. The Netherlands see the highest level of investment with 53% of respondents investing in the next 12 month, increasing to 70% in the next 3-5 years. Germany is also set to see a 32% increase in allocations to infrastructure over the next 3-5 years (46-61%) and the UK will also see a larger increase than the global figure, with investment allocations set to increase by 25% (48%-60%) over the next 3-5 years.
- Almost half of respondents' (45%) main driver for investing in private markets is to manage portfolio risk (e.g. for diversification, inflation hedge) with 42% citing increasing returns.
- Almost six in 10 (59%) investors in Western Europe cite geopolitics as the megatrend having the greatest impact on their private market investments, new technologies and macroeconomics joint second at 54 percent.

- The top three sub-themes cited as presenting the strongest opportunity in infrastructure equity for investors in Western Europe are digital, AI and/or telecommunications (45%), environmental (44%), and social (hospitals, schools, stadiums, government buildings, social & affordable housing) (43%)
- The top three sub-themes cited as presenting the strongest opportunity in infrastructure debt for investors are digital, AI and/or telecommunications (45%), environmental (45%), and social (hospitals, schools, stadiums, government buildings, social & affordable housing) (38%).

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 approximately \$238 AUD billion (as at July 2025), we serve over 750 institutional investors worldwide. IFM operates from 13 offices across Australia, Europe, North America, and Asia.

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