

Media Release

IFM Investors 



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Landmark new research reveals private equity and infrastructure top unlisted investment picks

IFM Investors has conducted and released its inaugural annual global research on the investment sentiment of 700 of the world's largest global institutional investors, revealing that private equity and infrastructure are expected to top global asset owners' unlisted investment picks over the next three to five years.

IFM's inaugural *Private Markets 700* report tracks responses from 700 global institutional investors from 18 countries around the globe, including senior investment officials from pension funds, foundations, endowments, wealth managers and large investment consultants.

Its key findings include:

- While the bulk of global capital flowing into private markets is currently directed to private equity and real estate, only private equity and infrastructure equity allocations are set to grow on average in absolute asset terms during the next five years;
- Investors say the illiquidity premium and increased returns are the primary motivations to invest in infrastructure, followed by managing portfolio risk;
- The proportion of investors who invest in infrastructure equity will rise in the next five years, from 46 per cent in the next 12 months to 54 per cent by 2029, with increases in debt infrastructure, too.

"The launch of *Private Markets 700* coincides with a steep rise in investor interest across infrastructure equity and debt, private equity, private debt and real estate. More and more investors are recognising the potential for private markets investment to deliver strong returns and diversification benefits in an increasingly complex and volatile global economy," said IFM Investors Chief Strategy Officer, Luba Nikulina.

"Our research allows us to offer a deeper, more nuanced understanding of what institutional investors require to best serve the millions of workers and beneficiaries they represent."

Expected asset class trajectories – 2024 to 2029

Private Markets 700 reveals that private equity allocations are expected to grow on average by 0.46 points to 15.4 per cent, while infrastructure equity allocations are expected to grow by 0.74 points to 7.34 per cent. Private debt allocations are set to reduce slightly to 6.8 per cent, but the proportion invested in this asset class is expected to remain unchanged at circa 90 per cent. Private equity and real estate are poised to remain the most popular unlisted asset classes, attracting allocations by 96 per cent of surveyed investors.

"Private equity and real estate still benefit from their consolidated position in global institutional investors' portfolios. However, private debt and infrastructure investments are progressively gaining investors' attentions thanks to their ability to combine the illiquidity premia with resilience and income generation," said Nikulina.

Infrastructure investment gains prominence

According to IFM's research, the growth of private markets as a \$24 trillion asset class will only continue as institutional investors seek higher returns, increased portfolio resilience and diversification from traditional asset classes – and the bulk of global capital flowing into private markets is directed to private equity and real estate.

Private Markets 700 reveals 54 per cent of institutional investors will invest in infrastructure equity by 2029 – up from 46 per cent over the next 12 months – while 50 per cent will invest in infrastructure debt in five years' time – up from 45 per cent.

More than half (55 per cent) of institutional investors believe new partnerships between private capital and governments will create new opportunities for infrastructure investment.

"Governments worldwide are grappling with tighter finances, so they are creating favourable conditions for private sector funding to support their infrastructure projects," said Nikulina.

"Respondents to our survey have predicted expectations of net average returns for infrastructure equity investment above 11 per cent – demonstrating its potential for both robust performance and stability."

Private markets investment – regional projections and investor segment findings

The global study of institutional investors finds that EMEA investors will maintain the strongest exposure to real estate, with 11.81 per cent mean allocation over the next five years, while APAC will take the lead in private equity and private debt allocations from North America. For infrastructure debt exposure, APAC is expected to eventually surpass EMEA.

The research also demonstrates that insurance respondents are looking mostly to Europe and North America for private market investments, while North American and APAC investors hold a 'home bias' when investing in private markets.

The megatrends shaping investment, as investors move up the risk curve

According to IFM's research, investors say capturing the illiquidity premium and increased returns are the primary catalysts for infrastructure investment.

Private Markets 700 also reveals the key global megatrends foremost on institutional investors' minds when it comes to infrastructure investment strategies. The rise in new technologies such as AI, IoT and automation is first, with 69 per cent of investors reporting it has a strong or very strong impact on their strategies. Energy transition and global supply chain shocks are next, followed by interest rate and commodity price volatility.

The survey has found that long-term infrastructure investors are increasingly moving up the risk curve, seeking to capitalise on the illiquidity premium of assets.

More than a third (36%) of investors surveyed are choosing Core or Core-Plus investments with net rates of return between 5% and 12%. A significant proportion are targeting high-growth segments with 45% investing in Value-Add – a strategy focusing on assets that generally require enhancements with the intention of generating returns of 13% to 16%.

Just under a fifth of respondents (19%) are focusing on the Opportunistic infrastructure segment, where assets may need to be developed in their entirety to achieve returns of 16%-plus.

Infrastructure and sustainability: social equality creates value

According to the survey, more than 80 per cent of institutional investors say social infrastructure – infrastructure that contributes to economic growth and serves the needs of communities – such as schools, hospitals or stadiums

– plus environmental infrastructure – including renewable energy systems and green buildings – are priorities for debt and equity investment.

Funds dedicated to the energy transition and environmental infrastructure have grown significantly in recent years – now representing a total market of \$1.8 trillion USD in 2023, according to BloombergNEF.

Private Markets 700 reveals a higher proportion of US-based investors in our research (82 per cent) regard energy transition-focused funds as a particularly attractive opportunity in infrastructure investments – above the 75 per cent average rate across the globe.

“Commercial interests in the US have recognised the massive energy transition opportunity. This is in part driven by the Inflation Reduction Act, which has been particularly influential as it offers tax incentives for building renewable energy projects such as solar and wind,” said Nikulina.

Last month, IFM Investors released a landmark blueprint in conjunction with some of the UK and Australia’s largest pension funds, aimed at identifying policy recommendations to unlock investment opportunities for pension capital to help fast track clean power by 2030.

To read *Private Markets 700*, visit www.ifminvestors.com/privatemarkets700

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Notes for Editors:

The *IFM Private Markets 700* survey was conducted in July 2024 by FT Longitude and encompassed the views of 700 senior investment professionals from asset owners (300), wealth managers (300) and investment consultancies (100), including 43% at C-suite level.

They were based in Australia (40), Canada (50), Denmark (8), Finland (4), Germany (50), Hong Kong (20), Ireland (17), Italy (30), Japan (15), the Netherlands (30), Norway (5), Singapore (20), South Korea (15), Sweden (3), Switzerland (35), the UAE (15), the UK (83) and the US (260).

About IFM Investors

IFM Investors was established more than 25 years ago with the aim to invest, protect and grow the long-term retirement savings of working people. Owned by a group of 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 735 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. As a signatory to The United Nations-supported Principles for Responsible Investment, IFM actively engages on sustainability issues with the companies in which we invest with the aim of enhancing their net performance while minimising investment risk. 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