August 2026

IFM Investors

Jacob Otto
Director, Head of Product Specialists –EMEA

James Balcombe
Vice President, Infrastructure Debt Product Specialist - EMEA

Dispelling the myths of infrastructure debt

Investors have historically turned to infrastructure as a resilient private markets asset class. Many institutional investors focus on the equity side of the capital structure to generate yield with potential upside but often overlook the debt side.

We believe infrastructure debt plays a core role in a private debt asset allocation but misconceptions about the asset class mask its true appeal. In the current market environment, when investors are looking for income, resilience and differentiated sources of return, these misconceptions risk obscuring the role infrastructure debt can play in a diversified portfolio. By dispelling three common myths around yield, duration, and complexity, we can better understand breadth of the opportunity set.

Myth one Infrastructure debt is low-yielding

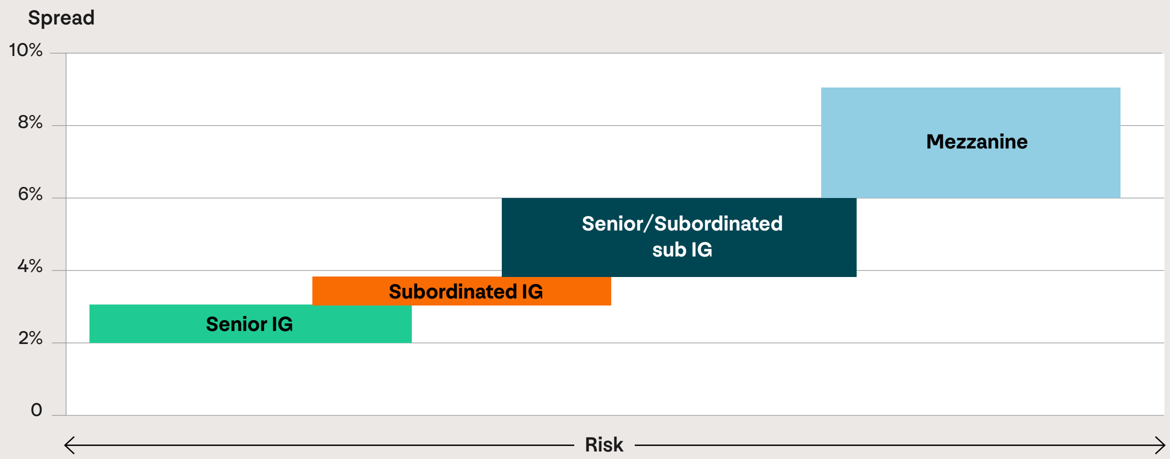
As Chart 1 shows, infrastructure can offer a range of risk profiles and corresponding yields available across the credit spectrum. For many liability matching investors seeking yield enhancement relative to liquid fixed income, investment-grade debt provides an opportunity, with BBB spreads typically in the 150-275 bps range. There are also higher-yielding opportunities in the sub-investment grade (IG) space that offer spreads in the 400-600bps range, aligning with a risk/return optimisation strategy typically seen in private credit allocations.

Across the credit spectrum, we believe investors may benefit from improved resilience from asset centric business models and predictable revenues typical of the infrastructure asset class. We expect that spreads in infrastructure debt move with wider credit conditions; however, we have found this spread opportunity to be relatively stable over multiple market cycles.

We believe investors should be cautious when approaching the mezzanine part of the capital stack of an infrastructure business. We have observed that investors can start to lose the benefits of resilient businesses when too many protections are given up. As a result, investments can begin to resemble equity risk with limited upside and lack of control.

CHART 1

TYPICAL RISK AND RETURN CHARACTERISTICS OF INFRASTRUCTURE DEBT



Source: Dealogic, ProjectWare, IFM proprietary data – as of 31 March 2026. Credit spreads are indicative of current market conditions and are subject to change at IFM's discretion

Myth two All infrastructure debt is long duration

Many large-cap, core infrastructure businesses – like regulated utilities and contracted renewables – can often secure long-term debt financing, with tenors typically spanning 10 to 30 years. These long-dated investments remain an ideal match for investors with long-dated liabilities. Chart 2 illustrates how infrastructure businesses across various sectors, sizes, and business models can support different debt profiles, including shorter-dated and floating-rate debt. Within the sub-IG market, many investments are floating-rate with a weighted average life (WAL) between 4-8 years. Together, these characteristics can help investors insulate their portfolios from inflation and potential changes in interest rates. Features like amortization profiles, cash sweeps, and step-up coupons can also help manage refinancing risk.

CHART 2

MATURITY/WAL PROFILES OF SELECT FLOATING-RATE SUB-IG INVESTMENTS EXECUTED BY IFM




Description	Energy from waste	Solar portfolio	District heating	Rural fibre
Spread	600+ bps	450+ bps	500+ bps	550+ bps
Rating	B+	B+	BB-	B+
Water tenor/WAL	5/5 years	5/5 years	3/3 years	5/4 years




Description	TowerCo	Fibre to the home	Data centres	Bike-share concession platform
Spread	400+ bps	425+ bps	500+ bps	425+ bps
Rating	BB-	BB-	B+	BB
Water tenor/WAL	7/7 years	7/5 years	7/5 years	5/5 years

Source: IFM Investors. Notes: Investments were selected as recently executed sub-IG investments in one of IFM's unconstrained sub-IG focused infrastructure debt portfolios.

The above case studies discuss certain portfolio companies in which funds managed by IFM Investors has made investments. This information is solely provided as an illustration of the types of investments considered by the prior funds and does not purport to be a complete list of all such investments. Not all of the investments made by prior funds and mandates have been successful as the case studies discussed herein. There is no guarantee that IFM Investors will be able to procure investments with the same or similar investment parameters.

Myth three Infrastructure debt deals are complex and operationally challenging to manage

This myth is only partially true, but for specialist investors, this complexity can be a source of robust risk-adjusted relative value compared to other forms of private debt. We believe infrastructure debt does require specialty underwriting, but we see a premium available in the market as a result. Infrastructure businesses can be operationally complex, requiring a detailed understanding of a business from multiple perspectives including engineering, global supply chains, energy markets, contracting, and regulation before determining where to invest.

Throughout our 25+ year history of investing in infrastructure debt, we have not shied away from this complexity. This experience has helped us develop deep knowledge of the nuances involved in investing across highly specialised sectors, such as waste-to-energy and fibre. It also means we have a long history of tracking the evolution and growth of infrastructure sectors to understand key trends and identify emerging risks. For instance, we have been selective in our approach to investing in data centres, focusing on strategic assets with diversified and strong tenant contracts. We have also seen the importance of understanding technology and management experience in non-traditional renewables sectors like waste-to-energy.

We have observed that part of infrastructure debt's complexity and resilience comes from the highly structured nature of each loan. This includes covenants and security over valuable assets and shares within the business. Compliance with these features must be closely monitored. When challenges arise, a specialist team must be equipped and ready to work with company management with the goal of achieving mutually beneficial outcomes that protect capital.

For these reasons, we have built a sizable team of infrastructure debt investment specialists globally. In our view, this approach makes us well suited to originate through vast local networks and deliver on investments we believe present the best relative value. We also have a dedicated team of asset management specialists to assist in monitoring and managing our existing portfolio investments. This team will take the lead on any restructuring or workout scenarios when necessary.

Conclusion Infrastructure debt's core role in portfolio construction

We believe that infrastructure debt can potentially play a central role in portfolio construction for private debt allocations. The diversity and breadth of the asset class make infrastructure debt suitable for a variety of applications including both liability matching and risk-adjusted relative value optimisation. From a senior position to equity, investors can access scheduled income, flexible duration profiles, structural protections designed to preserve capital, and exposure to the essential infrastructure themes shaping the future economy.

From our perspective, the myths around infrastructure debt - that it is necessarily low-yielding, long-duration, or too complex to access - miss the real opportunity. Complexity can be a source of value when specialist platforms underwrite investments and appropriately manage risks. For investors seeking diversified income, downside protection and differentiated private credit exposure, infrastructure debt may offer a compelling way to finance the assets that keep economies moving. It can also help investors target robust risk-adjusted returns through the cycle.

Contact our Client Solutions team

To learn more about the role infrastructure debt can play in a diversified portfolio, please contact our Global Client Solutions team.

Important Disclosures

The following disclosure applies to this material and any information provided regarding the information contained in this material. By accepting this material, you agree to be bound by the following terms and conditions. The material does not constitute an offer, invitation, solicitation, or recommendation in relation to the subscription, purchase, or sale of securities in any jurisdiction and neither this material nor anything in it will form the basis of any contract or commitment. IFM Investors (defined as IFM Investors Pty Ltd and its affiliates) will have no liability, contingent or otherwise, to any user of this material or to third-parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance, or completeness of the information in this material. In no event will IFM Investors be liable for any special, indirect, incidental, or consequential damages which may be incurred or experienced on account of a reader using or relying on the information in this material even if it has been advised of the possibility of such damages.

Certain statements in this material may constitute “forward looking statements” or “forecasts”. Words such as “expects,” “anticipates,” “plans,” “believes,” “scheduled,” “estimates” and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of earnings, performance, and cash flows. These statements involve subjective judgement and analysis and reflect IFM Investors’ expectations and are subject to significant uncertainties, risks, and contingencies outside the control of IFM Investors which may cause actual results to vary materially from those expressed or implied by these forward-looking statements. All forward-looking statements speak only as of the date of this material or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to IFM Investors or any person acting on its behalf are qualified by the cautionary statements in this section. Readers are cautioned not to rely on such forward-looking statements. The achievement of any or all goals of any investment that may be described in this material is not guaranteed.

Past performance does not guarantee future results. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.

This material may contain information provided by third parties for general reference or interest. While such third-party sources are believed to be reliable, IFM Investors does not assume any responsibility for the accuracy or completeness of such information.

This material does not constitute investment, legal, accounting, regulatory, taxation or other advice and it does not consider your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the information in this material. Tax treatment depends on your individual circumstances and may be subject to change in the future.

Australia Disclosure

This material is provided to you on the basis that you warrant that you are a “wholesale client” or a “sophisticated investor” or a “professional investor” (each as defined in the Corporations Act 2001 (Cth)) to whom a product disclosure statement is not required to be given under Chapter 6D or Part 7.9 of the Corporations Act 2001 (Cth). IFM Investors Pty Ltd, ABN 67 107 247 727, AFS Licence No. 284404.

United Kingdom Disclosure

This material is provided to you on the basis that you warrant that you fall within one or more of the exemptions in the Financial Services and Markets Act 2000 (“FSMA”) [(Financial Promotion) Order 2005] [(Promotion of Collective Investment Schemes) (Exemptions) Order 2001, or are a Professional Client for the purposes of FCA rules] and as a consequence the restrictions on communication of “financial promotions” under FSMA and FCA rules do not apply to a communication made to you. IFM Investors (UK) Ltd shall have no liability, contingent or otherwise, to any user of this material or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance, or completeness of the information in this material.

Switzerland Disclosure

This Information is provided to you on the basis that you warrant you are (i) a professional client or an institutional client pursuant to the Swiss Federal Financial Services Act of 15 June 2018 (“FinSA”) and (ii) a qualified investor pursuant the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (“CISA”), for each of (i) and (ii) excluding high-net-worth individuals or private investment structures established for such high-net worth individuals (without professional treasury operations) that have opted out of customer protection under the FinSA and that have elected to be treated as professional clients and qualified investors under the FinSA and the CISA, respectively.

IFM-17AUGUST2026-5816827