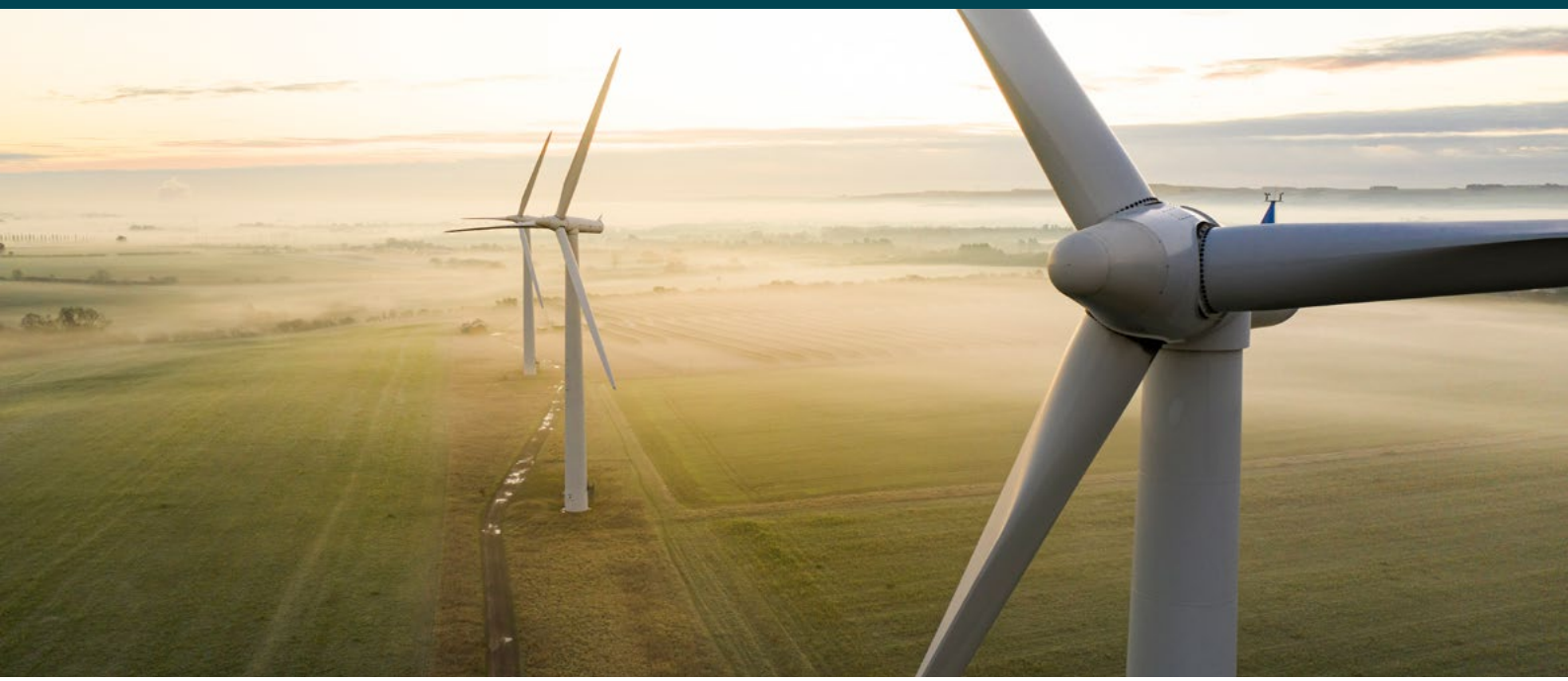
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Investing in the energy transition: The open-ended advantage

The global energy transition represents a significant investment opportunity, requiring substantial, long-term capital to support a lower-carbon, increasingly electrified economy. Capturing an opportunity of this scale requires an investment approach aligned with the long-term, evolving nature of infrastructure and the structural forces driving it, from digitalisation and energy security to the electrification of transport and industry. In our view, these characteristics are well-suited to an open-ended core infrastructure investment strategy.

Key takeaways

While closed-ended vehicles may be appropriate for value-add strategies, we believe energy transition opportunities within core infrastructure are best suited to open-ended funds as they allow:

1. **Value creation opportunities to be captured across the full energy transition asset lifecycle**
2. **Investing with less technology and execution risk**
3. **Better long-term outcomes from harnessing the power of compounding**
4. **Greater visibility into underlying assets and reduced blind pool risk**
5. **More investor control over liquidity**

Capturing value across the full asset lifecycle

Fully capturing the value of the energy transition will require patient capital as markets, industries and societies transition at their own pace and according to their specific needs and objectives. This means that energy infrastructure assets can evolve, expand and modernise over decades, making open-ended core infrastructure a potential fit for long-term investors.

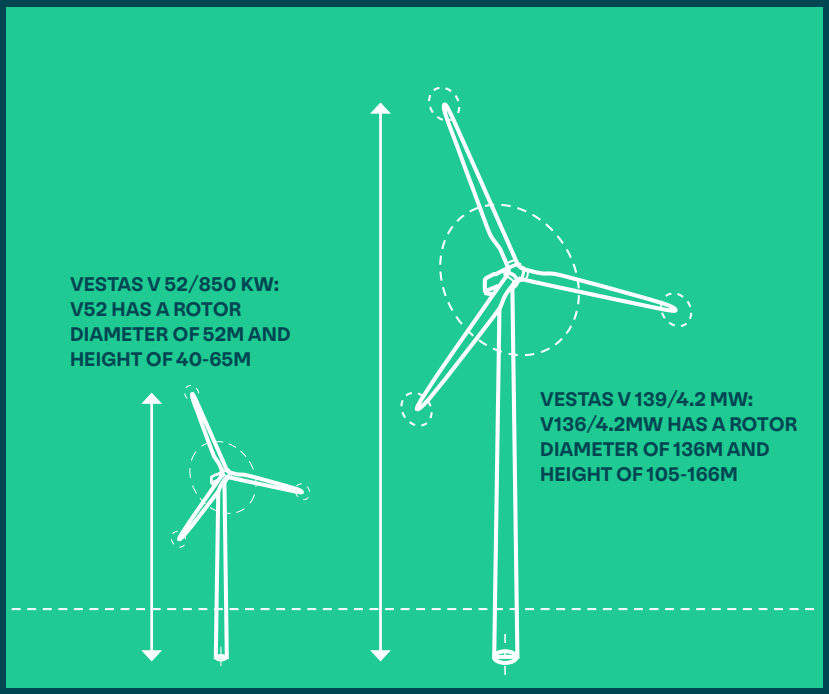
Unlike closed-ended structures, where time is a constraint that can limit an investor's strategic options, open-ended funds can benefit from value creation beyond the initial build-out phase. Figure 1 illustrates how this includes repowering, where upgrading existing assets can increase capacity and extend asset life with comparatively lower execution risk. This approach changes infrastructure from a static asset class into one where value may be increasingly created through ongoing optimisation, expansion and reinvestment over time.

FIGURE 1

Historically, IFM has successfully been able to leverage repowering as a key long-term value driver

ERG repowering activity

- Partinico-Monreale
- Camporeale
- Mineo-Militello-Vizzini
- Salemi-Castelvetrano
- Reinsdorf



~50% lower turbine count

2-3x nameplate capacity increase

3-4x generation increase

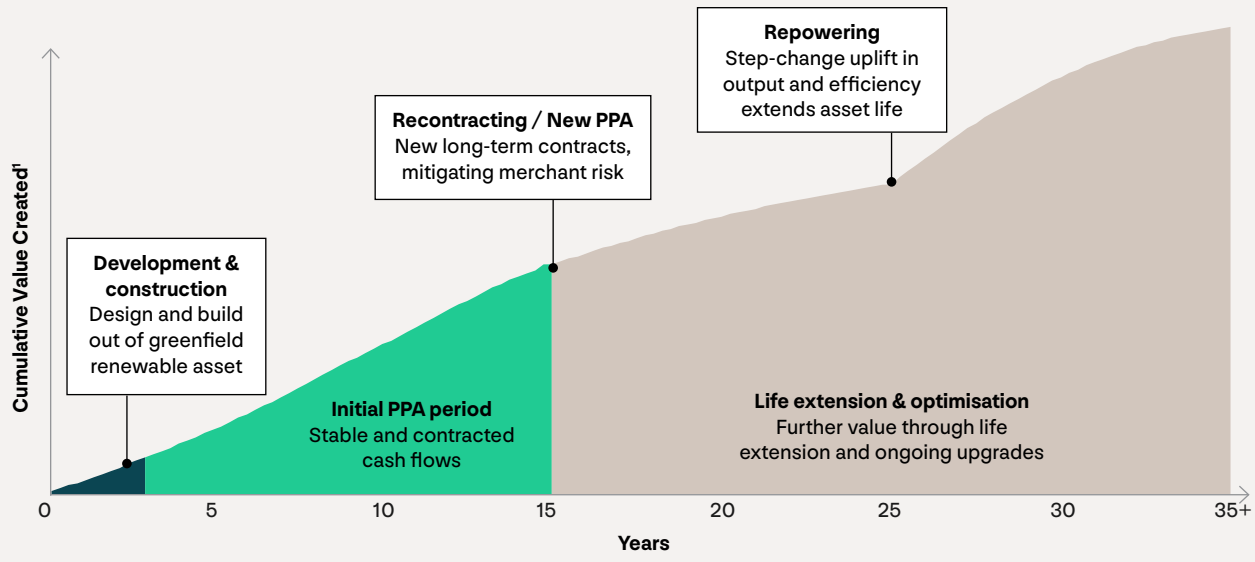
Source: ERG (as at 31 December 2025)

From our point of view, this long-term perspective is becoming even more important as power demand accelerates, driven by the electrification of the economy and the rapid growth of AI and digital infrastructure. With data center electricity consumption projected to more than double by 2030[1], the need for reliable and scalable energy infrastructure is expected to continue growing.

In this environment, attractive value creation opportunities can potentially emerge years after an asset is first developed through expansion, repowering and operational improvements. Although closed-ended funds may participate in these opportunities, finite fund lives may require assets to be sold before their full potential is realised. Figure 2 shows how an open-ended core strategy allows investors to stay invested where the long-term investment case remains relevant. This can help enable participation in asset evolution over time and allow capital allocation decisions to be driven by investment merit rather than fund maturity constraints.

FIGURE 2

CAPTURING FULL LIFECYCLE VALUE IN RENEWABLES INFRASTRUCTURE: OPEN- VS CLOSED-ENDED FUNDS



OPEN-ENDED FUND

Captures full lifecycle value across multiple value creation phases

CLOSED-ENDED FUND

10-12 year investment period[1]

Value left on the table – Recontracting upside remains largely unrecognised in exit valuations

[1] illustrative only. Actual fund lives, exit timing and cumulative value created may vary.

1 Energy and AI, IEA (April 2025)

Managing technology risk through the energy transition

Continuous advances in renewable generation, battery storage, grid infrastructure and digital technologies are reshaping the energy transition. Investors must consider not only how assets perform today, but how they may need to evolve to remain competitive over the decades ahead.

Many of the risks and opportunities associated with technological change emerge well beyond a typical fund exit horizon. As a result, these considerations may not be as fulsomely considered as they should be by investment strategies focused on realising value in the near term. This can leave investors with suboptimal outcomes if the risks eventuate while not being appropriately priced into investment cases.

Open-ended funds need to price in technology risks because taking a long-term view requires assessing how assets will perform in a range of different scenarios including how technology changes. Accordingly, core strategies are more likely to focus on essential operating assets with established technologies, resilient market positions and contracted, regulated or otherwise predictable cash flows.

FIGURE 3

TECHNOLOGY LED VS CORE INFRASTRUCTURE LED TRANSITION EXPOSURE

Technology-led transition opportunities	Core infrastructure-led transition exposure
Dependent on the adoption or scaling of a particular technology	Essential operating assets with an established role in the energy system
Returns influenced by future cost curves, demand and market adoption	Cash flows supported by contracted, regulated or predictable revenues
Greater reliance on technology selection and development execution	Focus on established technologies and resilient market positions



Pictured: SQ Renewables

Driving outcomes through continuous investment and reinvestment

For long-duration assets such as energy infrastructure, investor outcomes are driven more by staying invested rather than focusing on short-term returns. Open-ended core strategies typically reflect this long-term orientation, enabling capital to remain continuously invested. This allows investors to potentially benefit from the power of compounding and avoid cash drag and reinvestment gaps that can occur when capital is returned early.

FIGURE 4

Where the real value lies: Harnessing the power of compounding

$$FV = P(1+r)^t$$

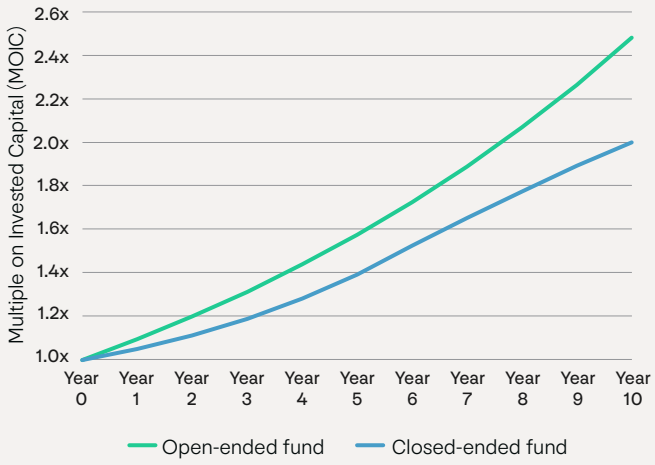
FV = Future value
P = Principal now
R = annual rate of return
t = number of years

By contrast, closed-ended models typically rely on periodic asset sales to realise returns within a finite fund life, introducing reinvestment risk and disrupting the benefits of continuous investment. As internal rate of return (IRR) rewards earlier cash distributions, managers may have an incentive to exit assets before their full value-creation potential has been realised. For investors, that means the focus can shift from maximising long-term value to maximising the timing of value realisation. Over time, this distinction can influence outcomes. Even where underlying asset returns are similar, maintaining long-term exposure to stable, income-generating infrastructure assets can support greater cumulative value creation through the ongoing reinvestment of cash flows.

Over the long-term, an open-ended core strategy is expected to achieve a comparable money multiple while remaining focused on lower-risk infrastructure assets. A closed-ended strategy, however, may need to generate higher asset-level returns through investments further up the risk curve to deliver the same outcome. For this reason, money multiple can provide greater context for long-term investment success compared to focusing purely on IRR. This is because it can capture the full benefit of sustained ownership, reinvestment and compounding over the life of the investment (see Figure 5).

FIGURE 5

MOIC OVER TIME: COMPARING OUTCOMES ACROSS FUND STRUCTURES



IRR	Open-ended MOIC	Closed-ended MOIC
8.0%	2.1x	1.8x
10.0%	2.5x	2.0x
12.0%	2.9x	2.2x
14.0%	3.4x	2.3x
16.0%	4.0x	2.5x

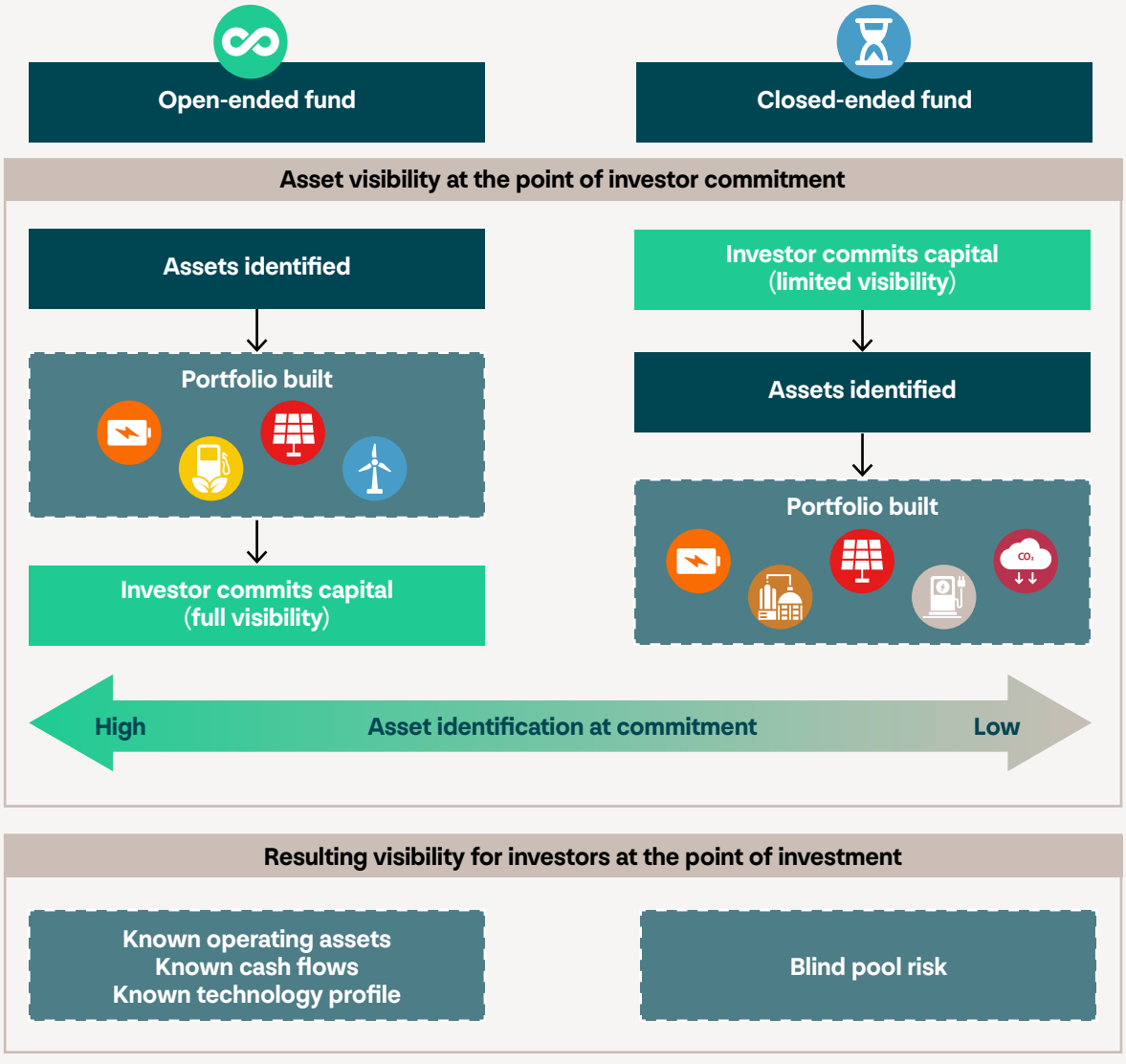
Source: IFM Internal Analysis. This analysis is purely illustrative and simplistic in nature, and investors should perform their own analysis on fund options when performing investment due diligence. The modelled scenario assumes a 10-year investment horizon, where the closed-ended fund deploys capital in equal instalments over a 5-year period and are subsequently held for 5 years prior to their sale and return of capital to the fund investors. Undrawn capital and distribution proceeds from underlying fund remain in a liquidity sleeve, generating a 5% return. The open-ended scenario assumes that 90% of capital is deployed into infrastructure deals and 10% in a liquidity sleeve earning a 5% return. The analysis shown on the left chart assumes that both structures yield a 10% internal rate of return. We have also conducted this analysis on a pre-tax and pre-fee basis, although we anticipate that for some investors there could be an additional benefit in the form of deferred capital gains taxes in a buy-and-hold strategy. Investors should conduct their own analysis of potential tax implications.

Providing greater visibility at entry while reducing blind pool risk

Open-ended core infrastructure funds generally provide investors with greater visibility into the assets they are investing in, reducing the uncertainty associated with blind pool investing. The result is a clearer understanding of the underlying drivers of risk and return, which can be particularly valuable in a sector undergoing significant change.

FIGURE 6

Visibility at commitment: Comparing open- and closed-ended fund structures



Source: IFM analysis

Maintaining long-term exposure while providing investors control over liquidity

Liquidity has become an increasingly important consideration in private markets, with constrained exit activity and extended holding periods limiting investor flexibility in recent years. Open-ended core infrastructure funds address this challenge through structured redemption mechanisms that provide periodic liquidity, reducing the need to rely on asset sales or secondary market transactions to access capital.

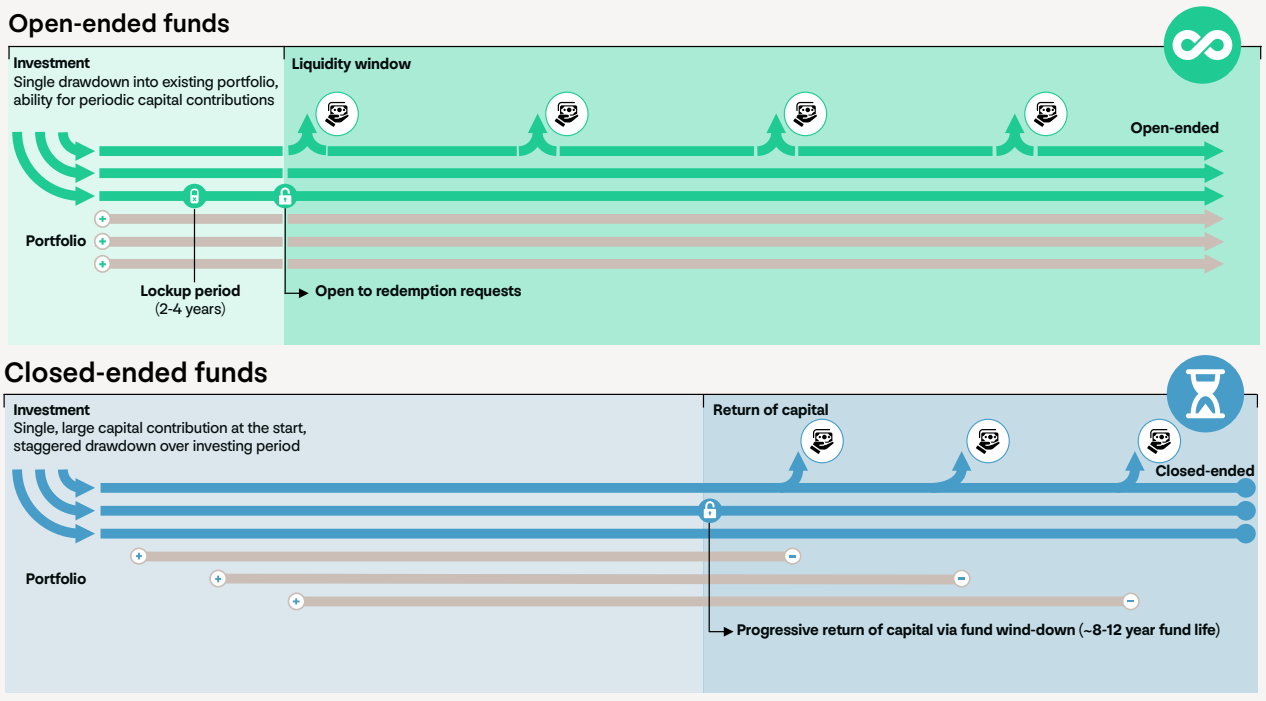
As a result, investors can maintain exposure to core infrastructure assets as long as the investment case remains relevant, while retaining the flexibility to access liquidity when needed. Rather than selling assets to meet fund timelines, investment decisions can be driven by long-term value creation and market conditions. We believe this structure is better suited for the energy transition, where core mature operating assets and recurring cash flows can help support periodic investor liquidity within a broader liquidity framework.

Figure 7 demonstrates that open-ended structures can also provide a regular cash yield from mature operating assets. This enables investors to choose between receiving distributions as income or reinvesting them to compound returns, depending on their portfolio objectives and liquidity needs. This flexibility allows investors to tailor their exposure to infrastructure around their own cash flow requirements.

From our perspective, diversified portfolios and a broad, stable investor base support robust liquidity frameworks. For investors seeking exposure to the energy transition, this approach can help provide access to critical infrastructure assets while retaining greater flexibility over how and when capital is deployed, reinvested or returned.

FIGURE 7

COMPARING HOW OPEN-ENDED AND CLOSED-ENDED FUNDS INVEST AND RETURN CAPITAL



Source: IFM Analysis

Contact our Client Solutions team

To discuss what open-ended, core infrastructure exposure to the energy transition could mean for your portfolio, please contact our Global Client Solutions team.

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