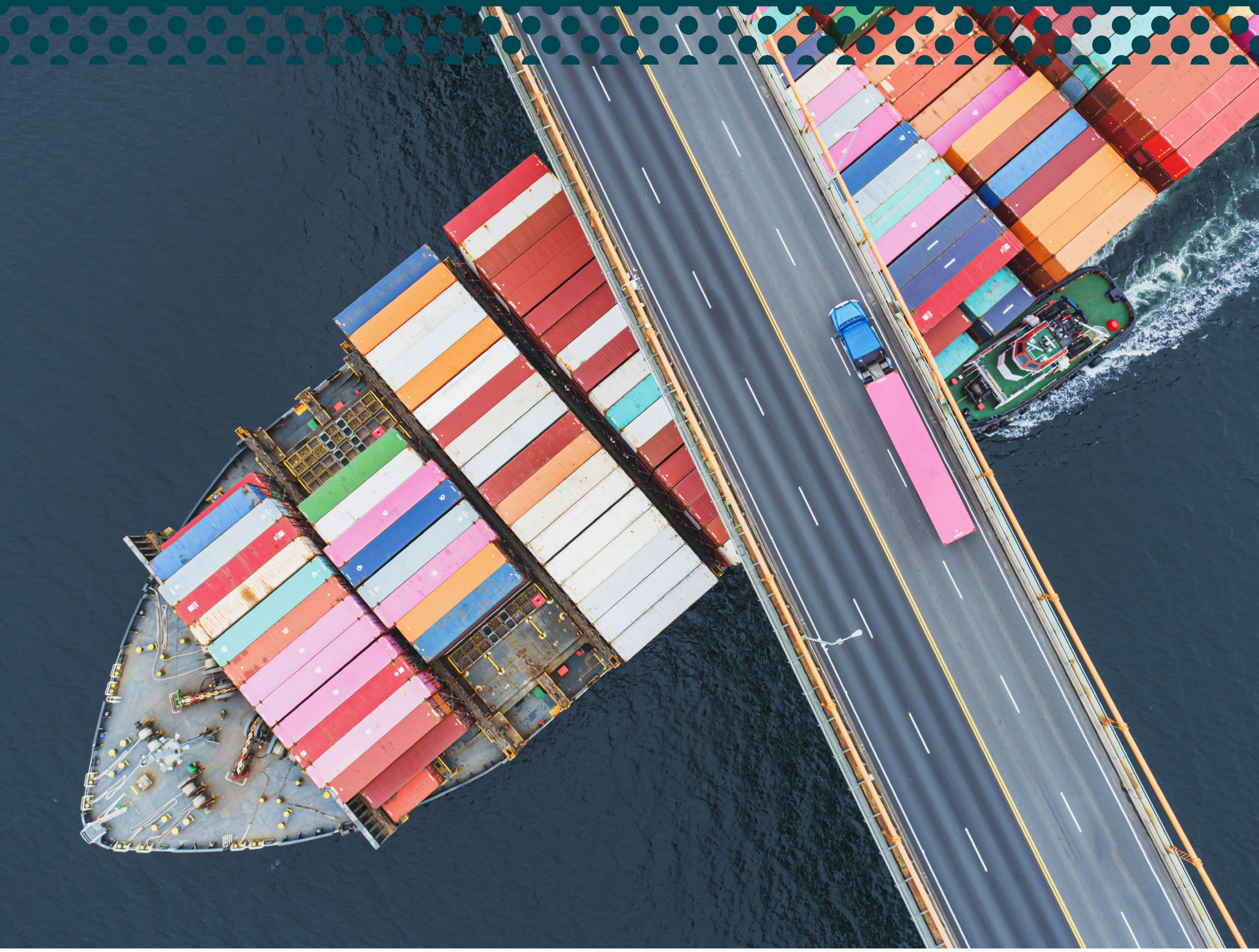
IFM Investors



Luba Nikulina
Chief Strategy Officer

Infrastructure: The Times They Are a-Changin'

Essential assets are evolving, linking conventional services with emerging technologies and security needs.

Bob Dylan's enduring classic "The Times They Are a-Changin'" wasn't just about politics or culture—it was about recognising when a new era is breaking over the horizon. It underscored the importance of identifying inflection points, when the old order fades and a new one takes form.

Infrastructure appears to be having such a moment now. An asset class that was once defined by airports, bridges, and utilities has widened into a far broader universe: digital networks, AI-driven systems, energy transition assets, and even defense-related infrastructure. In fact, what may seem distant today—next-generation space infrastructure, such as advanced satellites and orbital networks—could become an integral part of daily life sooner than most imagine. We believe infrastructure isn't just evolving—it's being redefined.

For investors, this shift means infrastructure is no longer simply a defensive, income-oriented allocation, but is increasingly a source of growth, innovation, and portfolio diversification. As a result, allocators are reassessing infrastructure's role, moving beyond a core stabilizer toward a more dynamic, return-generating component within private markets portfolios.

While the sector is moving into a new era, the investment fundamentals that may have long anchored it as an asset class remain intact in the eyes of asset allocators: generally stable cash flows, long-term contracted revenues, inflation protection and low volatility. We believe investors want to continue benefiting from these strengths, but they also see opportunity for infrastructure's expansion. This appetite is reflected in our latest Private Markets 700 research, which shows investors targeting higher annual returns from infrastructure than at any point in its history.

As a result, allocators may need to reassess infrastructure's role in portfolios, from allocation size and strategy mix to overall risk tolerance, to ensure positioning reflects both its defensive foundations and its expanding growth opportunity set. Here are three key themes we believe are leading infrastructure into the future:

Key themes

1

The five D's

Five tailwinds are underpinning infrastructure's ability to anchor portfolios: digitisation, decarbonisation, deglobalisation, demographics, and deleveraging public finance.

2

Burgeoning investment prospects

Global infrastructure investment needs are approaching USD 106 trillion by 2040, according to McKinsey, offering an expanding array of opportunities across core assets and new capex-led projects in social, environmental, digital, industrial, and transport sectors. These projects can create value for both investors and communities alike.

3

Distinct appeal

Infrastructure is set to continue as a standalone asset class. It can combine downside hedging and inflation resilience potential with clear increased return expectations versus other private market strategies.

Stability meets structural growth

Infrastructure emerged as a standalone asset class roughly three decades ago, led by pension systems in Australia and Canada seeking long-duration, inflation-linked assets capable of preserving the purchasing capacity of their assets and matching their liabilities across economic cycles. Initially defined by stable, core assets with predictable cash flows, infrastructure earned its place as a core holding of investment portfolios by consistently delivering resilience, income, and inflation protection through multiple market cycles.

Today, these portfolio characteristics are being expanded and reinforced by powerful structural tailwinds. We believe digitisation, decarbonisation, deglobalisation, demographic change and government deleveraging—the 5 D's—are driving sustained demand for the infrastructure assets that sit at the heart of the global economy.

We believe the five D's build on infrastructure's longstanding defensive strengths, positioning the asset class at the intersection of resilience and growth. As infrastructure plays an expanding role in supporting digitisation, decarbonisation, and deglobalisation, many investors increasingly view it as a durable source of real returns in an uncertain environment.

We believe this combination of essential services, inflation-linked revenues, and long-term capital investment—aligned with structural change—underpins rising return expectations across the sector, highlighting the potential appeal of infrastructure in today's private markets.

FIGURE 1

The 5 D's reshaping infrastructure

DIGITISATION
The rapid growth of data, computing, connectivity, and automation that underpins today's modern economy.

Examples:
Data centres, fibre and broadband networks, power grids

Implication:
Provides long-term demand tailwinds, though returns can depend on policy, regulation, and power pricing.

DECARBONISATION
The global shift toward lower-carbon energy systems to reduce emissions and improve energy sustainability.

Examples:
Wind, solar and renewable generation, energy storage, electric vehicle charging

Implication: Shifts infrastructure toward higher-growth assets, but requires greater risk tolerance.

DEGLOBALISATION
A structural shift in global economic integration driven by changing geopolitical dynamics, national security concerns, and a renewed focus on domestic resilience and competitiveness.

Examples: Ports, energy security assets and storage, domestic manufacturing

Implication:
Increases the value of domestic and resilience-focused assets, but geopolitical and regulatory risk exist.

DEMOGRAPHICS
Population ageing, urbanisation and changing consumer behaviour reshaping how infrastructure is used.

Examples:
Healthcare and social infrastructure, affordable housing, grid upgrades driven by population shifts

Implication:
Supports usage-driven demand, reinforcing infrastructure's defensive qualities while offering steady growth potential, though long-term demand may shift with changes in population trends or migration patterns.

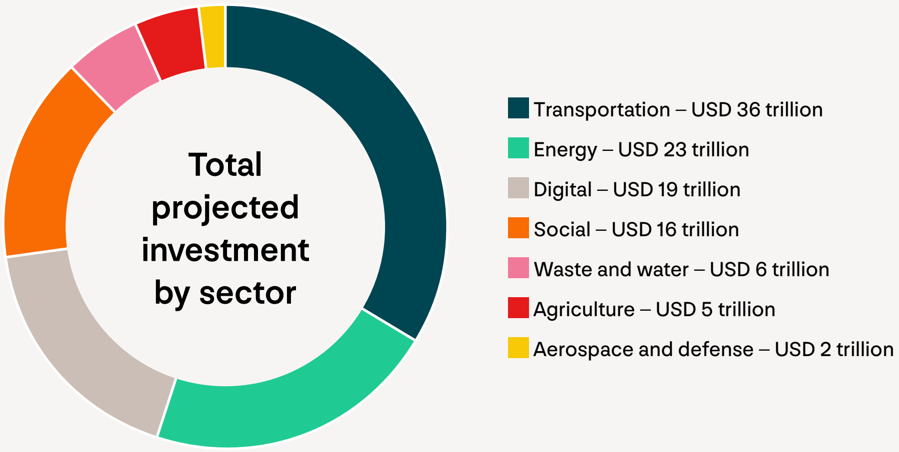
GOVERNMENT DELEVERAGING
Rising public debt and fiscal constraints, which limit governments' abilities to self-fund infrastructure.

Examples:
Public-private partnerships, privatised utilities, private funding supporting grids and social infrastructure

Implication:
Expands opportunities for private capital through privatization, but heightens the need to assess political and contractual risk.

FIGURE 2

IT IS ESTIMATED USD 106 TRILLION IN INVESTMENT COULD BE NEEDED BY 2040: MCKINSEY



Note: Figures do not sum because of rounding.

Source: Food and Agriculture Organization; Global Infrastructure Hub; International Energy Agency; International Monetary Fund; Organisation for Economic Co-operation and Development; Preqin; United Nations; World Bank; World Economic Forum; McKinsey

Hundred trillion-dollar opportunity

According to McKinsey, it is estimated that USD 106 trillion in investment will be necessary through 2040 to meet the need for new and updated infrastructure.[1] This figure underscores the sheer scale of the challenge—and represents one of the largest, most sustained capital deployment opportunities investors have ever seen.

Much of this demand is concentrated in capital expenditure-heavy sectors, led by transportation and logistics, as cities and countries around the globe confront ageing roads, congested ports, and outdated networks. This is followed by the energy sector, which must expand overall power generation—across both conventional and renewable sources—while simultaneously upgrading ageing and increasingly strained grid infrastructure.

While much of the capital spend is expected to go toward modernising existing assets, approximately USD 19 trillion is required for digital infrastructure. This is particularly pressing. McKinsey estimates digital infrastructure will see the fastest growth in investment, as fibre networks, towers, satellites, and data centres increasingly support modern economies and the technology that power them.

Equally important, the USD 106 trillion needed isn't just for modernisation—it's about supporting the communities these assets serve. This capital supports essential services that people rely on every day, from reliable power and efficient transport to digital connectivity and resilient supply chains. Together, these foundations can drive economic growth, improve productivity and raise overall quality of life.

In this sense, we believe infrastructure investing can bridge long-term investor objectives with broader societal outcomes. When done well, this alignment can strengthen the social and economic fabric of the regions it serves, reinforcing trust and long-term sustainability. Put simply, it creates value for investors and communities alike.

[1] McKinsey: The infrastructure moment.

CASE STUDY

Nala Renewables

Infrastructure assets are integral to daily life, making it essential to earn trust and operate responsibly within the communities they serve. IFM considers community engagement a key component of its sustainable investment decision process, believing this commitment helps create positive, mutually beneficial outcomes and supports long-term performance through local relationships.

Nala Renewables, an IFM Fund's portfolio company focused on developing, constructing, and operating wind, solar, and battery storage projects, illustrates this commitment in practice. In addition to standard environmental assessments, Nala prioritises comprehensive social baseline studies prior to construction, identifying vulnerable groups and assessing potential local impacts. We believe this approach helps to develop project designs that minimise disruption while delivering meaningful benefits to surrounding communities.

At its 10.6 MW solar photovoltaic and transmission line project near Arica in northern Chile, a region rich in cultural and archaeological heritage, Nala engaged a local specialist to conduct a comprehensive social baseline study aligned with international standards and best practices. This proactive approach enabled close collaboration with local stakeholders to prevent encroachment along the project and transmission line route and to address community priorities, including improving access to education, healthcare, water, and sanitation for vulnerable groups.

Crucially, these efforts are supported by boots-on-the-ground local teams, 14 full-time employees in Chile, whose presence aids in making this work possible. Nala actively employs local people and creates jobs for surrounding communities, adding to the social and economic benefits alongside improved infrastructure and services.

By integrating these initiatives into project planning and execution, we believe Nala not only delivers critical renewable energy infrastructure but also helps to build trust and fosters enduring community support for its operations.

“Nala actively employs local people and creates jobs for surrounding communities, adding to the social and economic benefits alongside improved infrastructure and services.

Nala team conducting social engagement with communities in Chile

Aerial photograph of the Chinchorro solar plant

A core allocation

Infrastructure has increasingly become a standalone asset class as its investment characteristics have clearly differentiated it from other private alternatives. Once grouped with real estate or private equity, unlisted infrastructure is now recognised for its long holding periods and ability to reinvest capital over decades. These long-duration assets are generally well suited to institutional investors, particularly pension funds with long-term horizons.

This positioning is reinforced by infrastructure's relatively low volatility, inflation hedging, and focus on essential services. Assets such as utilities, transport, and digital networks generally benefit from stable demand, regulatory frameworks, and high barriers to entry, which support predictable cash flows. Together with diversification across sectors and revenue sources, we believe these attributes bolster infrastructure's role as a distinct and core allocation in diversified portfolios.

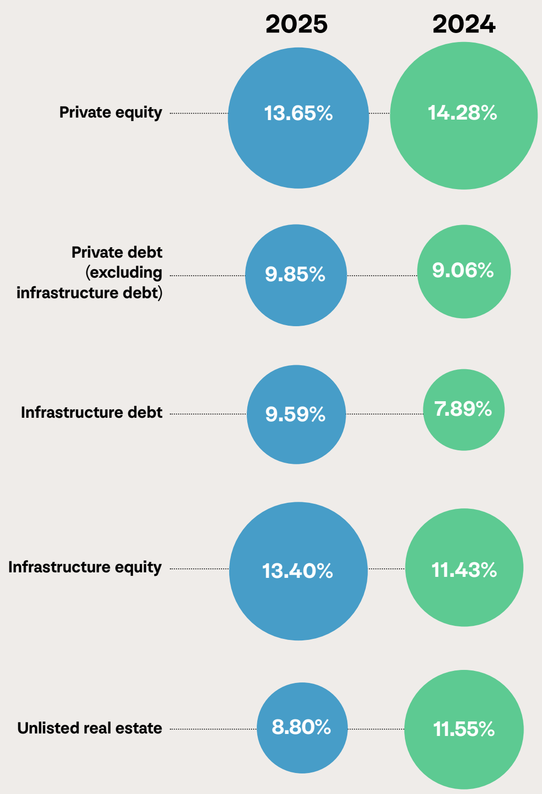
Reflecting this shift, our latest Private Markets 700 research—drawing on the views of 714 senior investment professionals across pensions, endowments, foundations, wealth managers, and leading consultants—shows investors expect stronger returns from infrastructure than ever before.

Within private markets, expected returns for infrastructure equity have risen to 13.4% in 2025, representing a nearly 200 basis point increase year-on-year—a figure now on par with private equity expected returns, according to the research. This follows increased investor interest in assets that are found higher up the risk curve, such as value-add (respondents expect 13-16% net returns), and opportunistic strategies (16%+ net return). As investors move up the risk curve, return dispersion between managers and strategies is likely to increase, reinforcing the importance of disciplined selection.

By contrast, private equity return targets remain high, according to the findings, but uncertainty around exit timing and liquidity has tempered expectations, leading to greater use of secondaries and continuation vehicles.

FIGURE 3

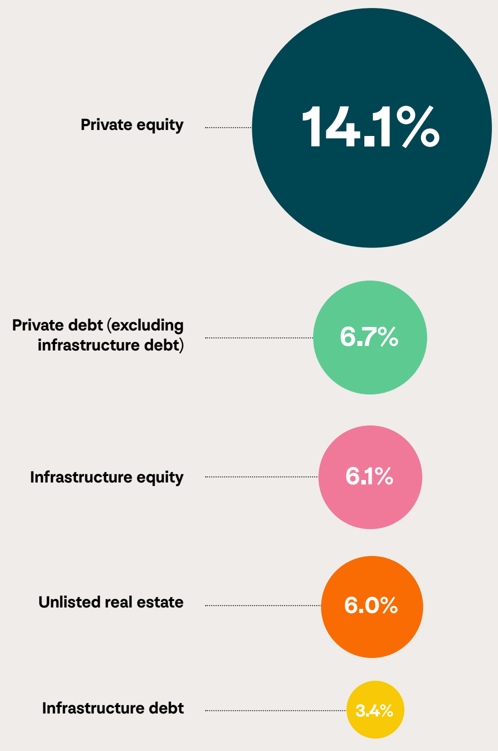
AVERAGE NET RETURNS EXPECTED FROM PRIVATE MARKETS (2025/2024)



Source: IFM Investors' Private Markets 700, The Global Investor Barometer 2025

FIGURE 4

PRIVATE MARKETS MAKE UP MORE THAN ONE THIRD OF PORTFOLIOS



Source: IFM Investors' Private Markets 700, The Global Investor Barometer 2025

Return expectations for infrastructure debt have also moved meaningfully higher, increasing from 7.9% to 9.6%, which explains why allocations are expected to increase to 3.9% over the next three to five years, according to our research. This occurs as investors appear to increasingly value infrastructure debt's ability to deliver a yield premium over corporate debt with a lower risk of loss.

Unlisted real estate, for its part, has faced even greater pressure, as ongoing challenges and structural shifts in office and commercial property markets have driven a sharp reassessment of return potential. Together, we believe these dynamics are reinforcing the relative appeal of infrastructure's generally stable, long-duration cash flows and more predictable performance in the current cycle.

50 Lonsdale Street, Melbourne

> **Within private markets, expected returns for infrastructure equity have risen to 13.4% in 2025, representing a nearly 200 basis point increase year-on-year—a figure now on par with private equity expected returns.**

THE NEXT CHAPTER

Infrastructure strives to align financial objectives with societal needs. As a distinct and standalone asset class, it warrants deliberate, long-term allocation within institutional portfolios. More than having the ability to deliver returns, it gives investors the opportunity to modernise the systems that form the foundation of communities and economies. We believe this asset class bridges private market ambitions with public benefit, demonstrating that generating profit and creating lasting societal value can go hand in hand.

Looking ahead, we believe infrastructure is entering a new era. Infrastructure investment now extends beyond traditional assets to energy transition, digital networks, and AI-driven systems that can help shape the economies and communities of tomorrow. As global societal needs grow, investors will have opportunities to participate in projects that deliver both financial returns and meaningful societal impact, with the goal of helping to build the systems that will sustain society for decades to come.

Against this backdrop, infrastructure warrants deliberate, long-term allocation decisions as a core strategic pillar of private markets portfolios. Indeed, The Times Are a-Changin'.

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-27FEB2026-5251812