IFM Investors

Private Markets 700

The global investor barometer

Year one: Infrastructure gathers momentum

Contents

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 and listed equities. We believe healthy returns depend on healthy economic, environmental and social systems - and these are evolving on a scale never experienced before. To find opportunity, build value and meet the needs of future generations, you need scale, skill and expertise. That's what IFM Investors has built up over 30 years.

> “We believe this research will be invaluable in **tracking major themes in private markets** for years to come. I look forward to its contribution to productive discussion in our community.

David Neal
Chief Executive, IFM Investors

Foreword

I am pleased to present IFM Investors’ inaugural *Private Markets 700* Barometer, which analyses global institutional investors’ expectations and sentiment on private markets investment.

This new annual global research instrument tracks responses from 700 global institutional investors, including senior investment officials from pension funds, foundations, endowments, wealth managers and large investment consultants.

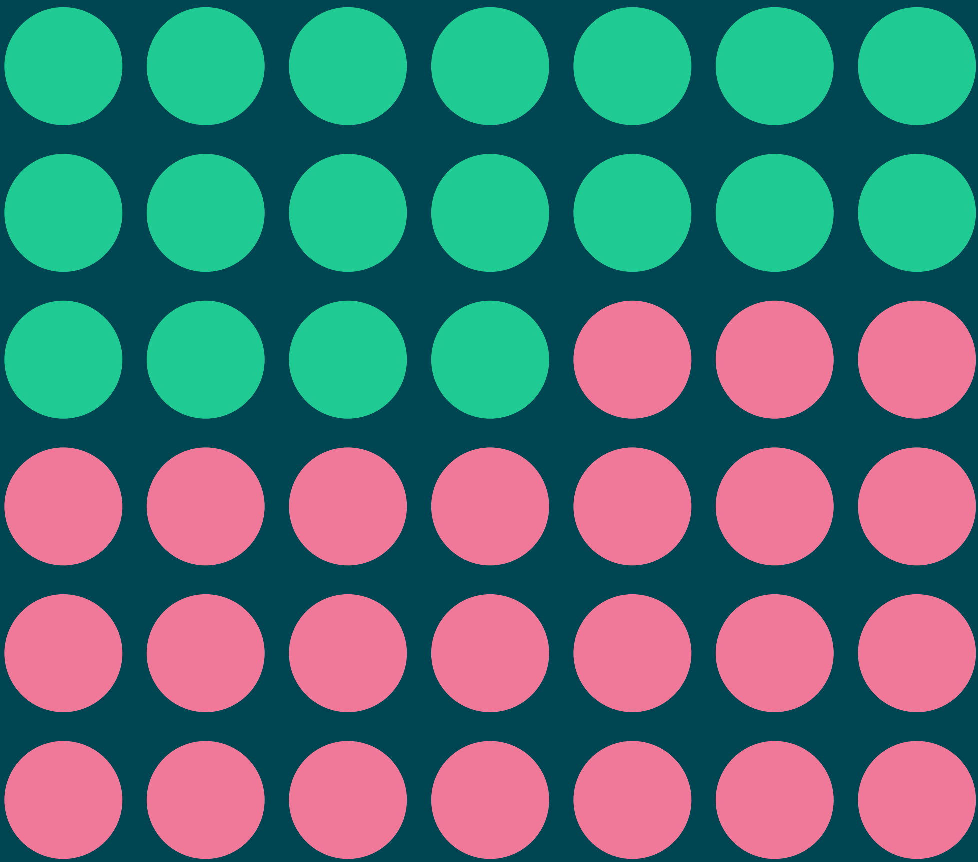
From our perspective, we believe this endeavour strengthens our ability to meet our clients’ expectations and enhances our role as a trusted partner in their investment journeys. Many of our clients are large pension funds, a connection that resonates deeply with us; it was pension funds that founded IFM Investors and continue to own the company today.

The launch of *Private Markets 700* coincides with a surge in private markets allocations. It also sees a rise in investor interest across infrastructure equity and debt, private equity, private debt and real estate. This reflects the broadening recognition of the potential for private markets investments to deliver strong returns and diversification benefits in an increasingly complex and volatile global economy.

In undertaking this research, we, as an established global private markets asset manager, seek to offer a deeper, more nuanced understanding of what institutional investors require to best serve the millions of workers and beneficiaries they represent. We aim to provide valuable intelligence that will inform strategic thinking and contribute to the broader discourse on the future of private markets investment.

Over the next three to five years, investors from every region we surveyed intend to increase their allocations to infrastructure. Many respondents expressed their commitment to maximising investment returns through the integration of multiple sustainability considerations.

We believe this research will be invaluable in tracking major themes in private markets for years to come. I look forward to its contribution to productive discussion in our community.



Of the 700 investors we surveyed, over half intend to invest in infrastructure equity and infrastructure debt over the next three to five years.

Introduction

Several factors are driving the surge in interest and subsequent investment in private markets. Firstly, loose monetary policies since the 2008 financial crisis have pushed investors towards illiquid markets that offer higher yields. Secondly, as banks have retreated from corporate lending because of stricter regulatory capital requirements private funds have stepped in to meet the demand for capital. Thirdly, the growing availability of private debt, real estate funds and infrastructure funds have made private markets more appealing both to institutional investors and individual retirement savers.

The burdens associated with public ownership have also caused large private corporations to delay or forgo public listings. As private markets have expanded, the available pool of listed assets has contracted correspondingly.

Every year, our *Private Markets 700* Barometer will track investor appetite for and sentiment towards private markets investments. We will analyse investor intentions and expectations for returns, and the significance of sustainability considerations.

In this inaugural study, we find that infrastructure is gaining significant momentum. Of the 700 investors we surveyed, over half intend to invest in infrastructure equity and infrastructure debt over the next three to five years. The primary drivers of this growing interest in infrastructure are financial opportunities and risk management considerations. Sustainability goals are also a strong influencing factor. Respondents cited increased social equality as the most significant sustainability consideration for infrastructure investment.

This report summarises the findings from our research, which is based on a global survey and expert interviews. In section 1, we discuss the landscape and outlook for private markets. Sections 2 and 3 examine the infrastructure asset class more closely.

About our research and barometer

In July 2024, IFM Investors commissioned FT Longitude to survey 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

USA	260	Singapore	20
UK	83	Ireland	17
Canada	50	Japan	15
Germany	50	South Korea	15
Australia	40	UAE	15
Switzerland	35	Denmark	8
Italy	30	Norway	5
The Netherlands	30	Finland	4
Hong Kong	20	Sweden	3

We also spoke to the following experts, and we thank them for their time and insights:

John Anderson
Global Head of Corporate Finance and Infrastructure, Manulife

Thierry Célestin
Head of Private Assets, Lombard Odier

Jonathan Gould
Senior Vice President, Callan

Sandra Lee
Head of Private Markets, UniSuper*

Kyle Mangini
Global Head of Infrastructure, IFM Investors

Luba Nikulina
Chief Strategy Officer, IFM Investors

Daniela Silcock
Head of Policy Research, Pensions Policy Institute

Jessica Thompson
Deputy Head of North America Infrastructure Debt, IFM Investors

Anastasia Titarchuk
Chief Investment Officer, New York State Common Retirement Fund**

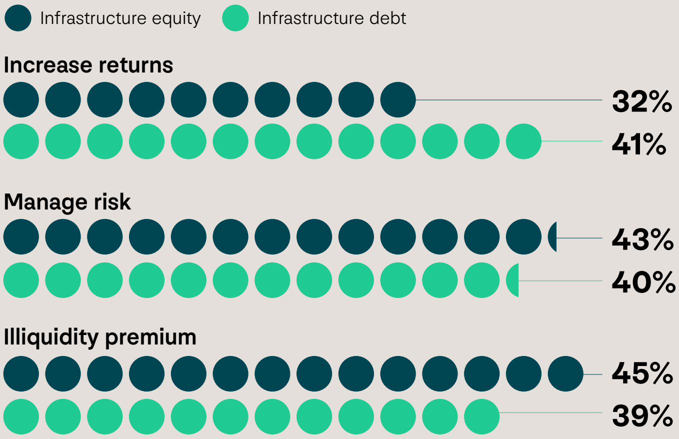
* UniSuper is one of IFM Investors' shareholders
** New York State Common Retirement Fund is one of IFM Investors' clients

Barometer at a Glance

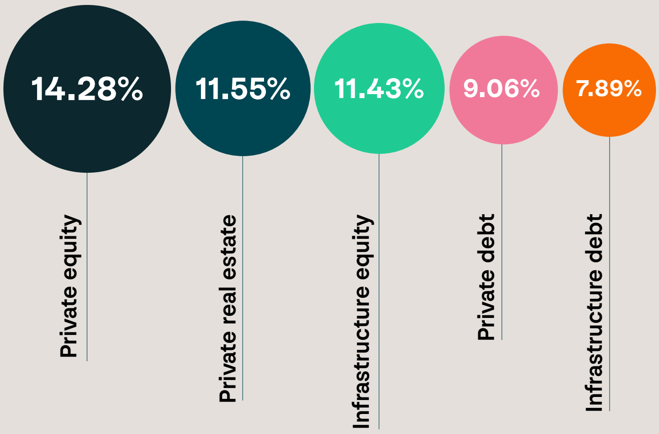
Key findings for Year One - 2024

Our *Private Markets 700* Barometer is based on an annual survey of approximately 20 questions which may vary somewhat from year to year, however we will consistently track the five measures below.

1 Main rationales for investment in infrastructure equity and debt



2 Average net returns expected from private markets



3 Sustainability considerations most heavily influencing investment in infrastructure equity or debt

55% Increased social equality

40% Benefit local communities

39% Energy efficiency

38% Resource intensity

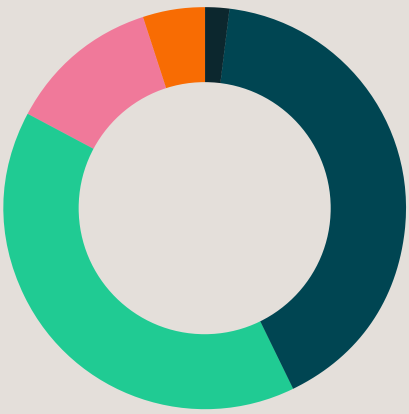
37% Impact on biodiversity

36% Climate resilience

36% Carbon footprint

19% Economic growth

4 Institutional investors' holding periods for private markets investments



1-3 years	**2%**
3-5 years	**41%**
5-7 years	**40%**
7-9 years	**12%**
10-20 years	**5%**

5 Intended allocations* to private and public markets over the next 12 months and 3-5 years.

Next 12 months

Private	Public
42.9%	**57.1%**

Next 3-5 years

Private	Public
43.6%	**56.4%**

* Calculated as respondents' weighted average mean intended allocations, based on the midpoints of their nominated allocation ranges for each asset class.

1. Private markets are now a major asset class

Once considered niche, following a decade of sustained expansion, private markets have grown to become a US$24 trillion asset class.[1]

Institutional investors, such as pension funds, insurance companies and endowments, and wealth managers seeking higher returns, increased portfolio resilience and diversification from traditional asset classes have fuelled this growth. In their pursuit of enhanced financial performance, these investors have allocated more capital to various sectors within private markets, including private equity, private debt, real estate and infrastructure.[2]

"We have certainly seen an uptick in private alternative investments overall, and that has been going on for several years," says Jonathan Gould, Senior Vice President at Callan, a US investment consultancy. "For a while that was driven by the low-interest environment we saw a couple of years ago, which has obviously changed, but it also comes from a desire to diversify real asset portfolios beyond just real estate."

In response to macroeconomic shifts and megatrends such as the emergence of new technologies and the global energy transition (as discussed in section 2), investors are allocating a greater proportion of funds to certain areas within private markets. Across all regions, most investors report plans to increase their exposure to private equity and infrastructure equity over the next three to five years.

[1] https://www.ey.com/en_gl/insights/private-business/are-you-harnessing-the-growth-and-resilience-of-private-capital
[2] https://www.bis.org/publ/qtrpdf/r_qt2112e.htm

Picture: Melbourne Airport

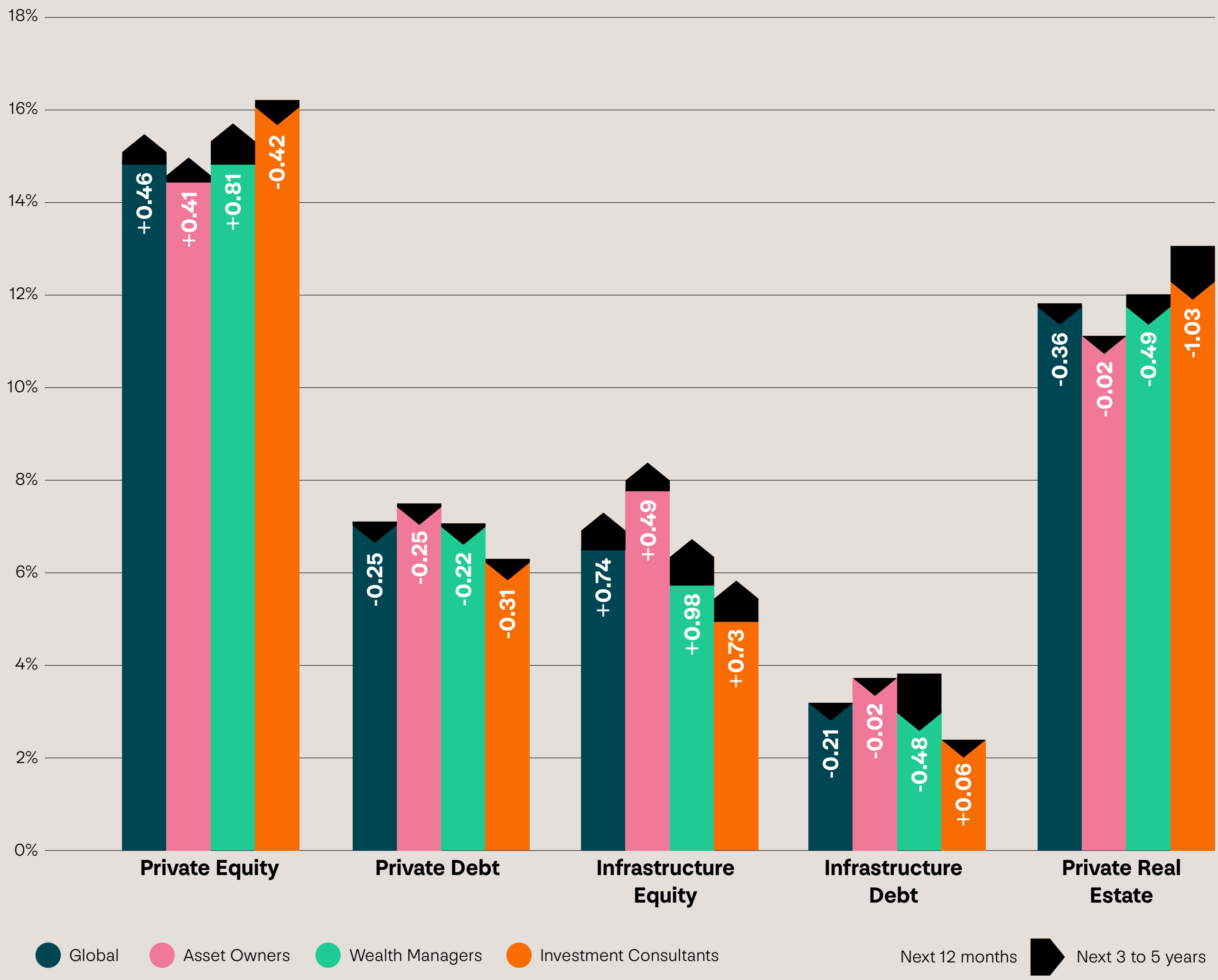
$24 Trillion

Once considered niche, following a decade of sustained expansion, private markets have grown to become a US$24 trillion asset class.[1]

[1] https://www.ey.com/en_gl/insights/private-business/are-you-harnessing-the-growth-and-resilience-of-private-capital

Changing intentions to allocate to private markets: 2025-2029

Change in average proportion of AUM allocated to each asset class



As institutional investors seek higher yields and diversification opportunities, the potential benefits of private markets investment will likely continue to attract their attention.

"Across the board, we are seeing allocation to private markets getting bigger," says Thierry Célestin, Head of Private Assets at Swiss private bank Lombard Odier. "Historically, private investors have had a much smaller exposure to private markets, so I believe the potential to increase their allocation is very high."

In the UK, government initiatives such as the Mansion House Compact have encouraged pension funds to commit at least 5% of their capital to "productive finance" — investments that directly support UK business growth, including private equity, infrastructure and private credit.

Daniela Silcock, Head of Policy Research at the Pensions Policy Institute, explains that UK investors have only begun to explore private markets since the introduction of mandatory pension enrolment in 2012, leading to the rapid growth of defined contribution (DC) funds. "The government was initially focused on keeping costs down," says Silcock. "This caused many schemes to prioritise low-cost, daily traded assets available through investment platforms, which limits opportunities for direct private markets investment."

UK defined benefit (DB) schemes, in contrast, have long been deeply involved in private markets investments, setting a precedent for expansion into DC schemes. "Over the next five to ten years, I believe we will see a significant increase in investment in private markets across both DB and DC schemes," says Silcock.

[3] https://www.mercer.com/insights/investments/market-outlook-and-trends/large-asset-owner-barometer/

“Over the next five to ten years, I believe we will see a significant increase in investment in private markets across both DB and DC schemes.

Daniela Silcock, Pensions Policy Institute

Picture: Baltic Hub

Home advantage: some investors are staying local

While the appetite for private markets investing is increasing worldwide, there are significant disparities between regions. A majority of North American and Asia-Pacific (APAC) investors in our research are focusing on local markets for their private market investments for the next 12 months. Predominantly investors in Europe, the Middle East and Africa (EMEA) appear willing to explore a substantial number of opportunities further afield.

This home bias may have arisen from asset owners' sense of responsibility towards their beneficiaries. Similarly to the way in which the UK government encourages pension funds to support local businesses, the New York State Common Retirement Fund has developed as a "global investor with a US bias", according to its Chief Investment Officer, Anastasia Titarchuk. "By statute, we are encouraged to invest in New York City and New York state," says Titarchuk. "These investments can take various forms, but anything that benefits New York and its taxpayers is also good for the fund."

Investors in Australia also prioritise local private assets.

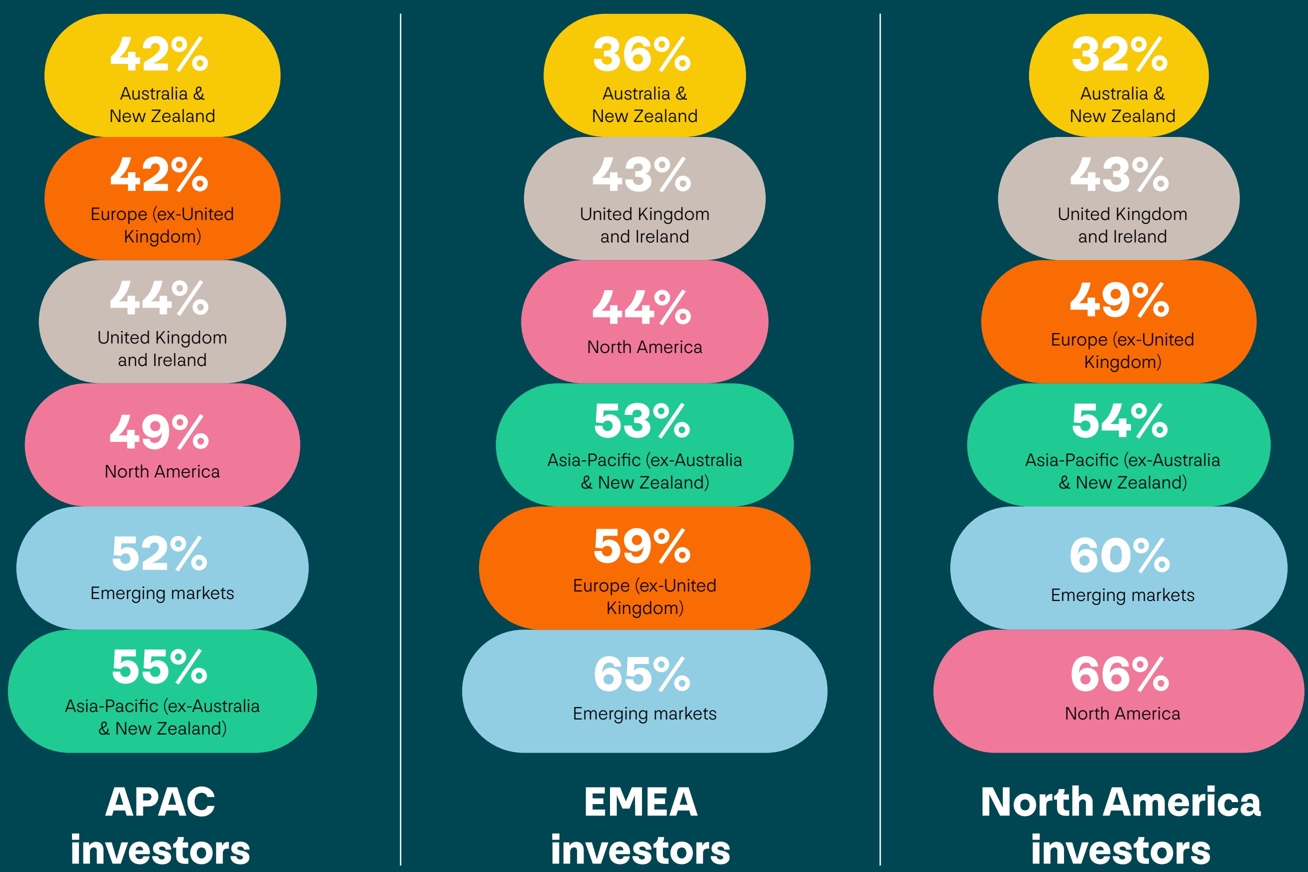
"Because we are a pension fund, our focus is on our members," says Sandra Lee, Head of Private Markets at Australian superannuation fund UniSuper. "We are aiming to deliver a strong, sustainable, long-term investment performance for our members. Our current private markets investments consist of a diversified portfolio across a range of sectors, including airports, toll roads, digital infrastructure, healthcare, renewable energy and timberlands."

Lee explains that UniSuper's in-house team on the ground and established networks provide local access to quality deal-flow, and that the company has been able to find investments for its members with governance rights including board representation. "In terms of regional mix, it is predominantly Australia-based, with about 25% of the portfolio invested offshore," she adds.

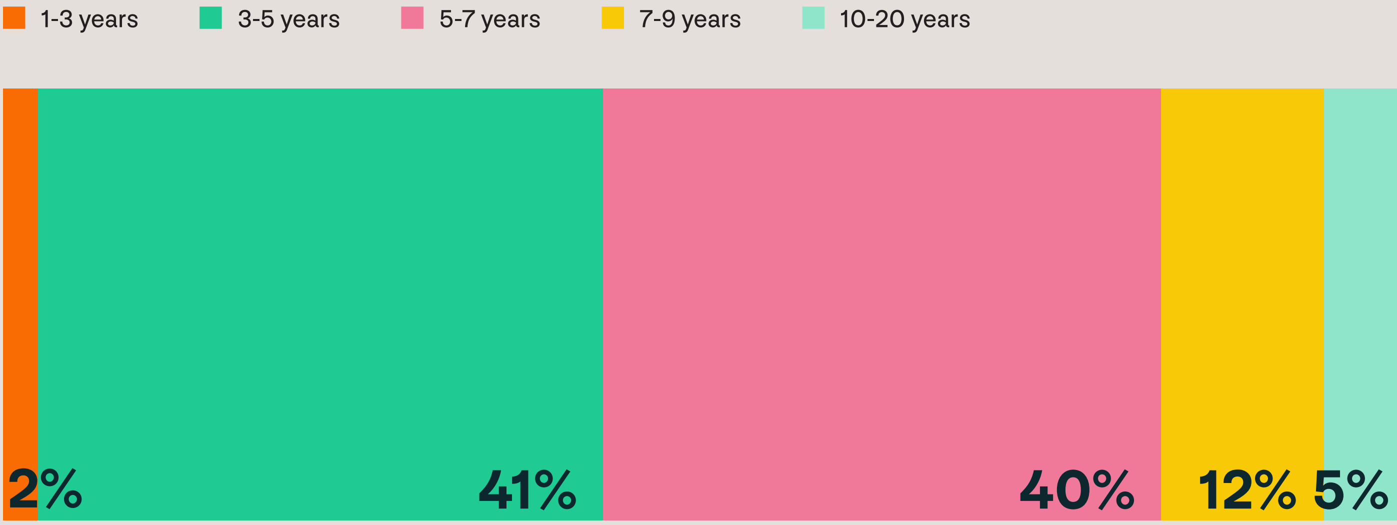
More than half of investors (57%) hold their private markets investments for more than five years, and 17% for more than seven years.

Private markets investment intentions reveal a home bias

Regions' top destinations for investment



Respondents' holding periods for private market assets



Infrastructure investment gains prominence

According to our research, the bulk of global capital flowing into private markets is directed to private equity and real estate. Private credit has also seen strong inflows since the global financial crisis.[4] But governments around the world are increasingly seeking private sector funding for their infrastructure projects.[5]

Our research reflects this trend, with over half of investors (52%) agreeing that the private sector is crucial to infrastructure financing. Additionally, 55% of investors believe that partnerships between private capital and governments will create new opportunities for infrastructure investment.

As a result, the proportion of investors in our research who allocate funds to infrastructure is projected to grow globally over the next three to five years, by 8 percentage points for infrastructure equity and by 5 percentage points for infrastructure debt.

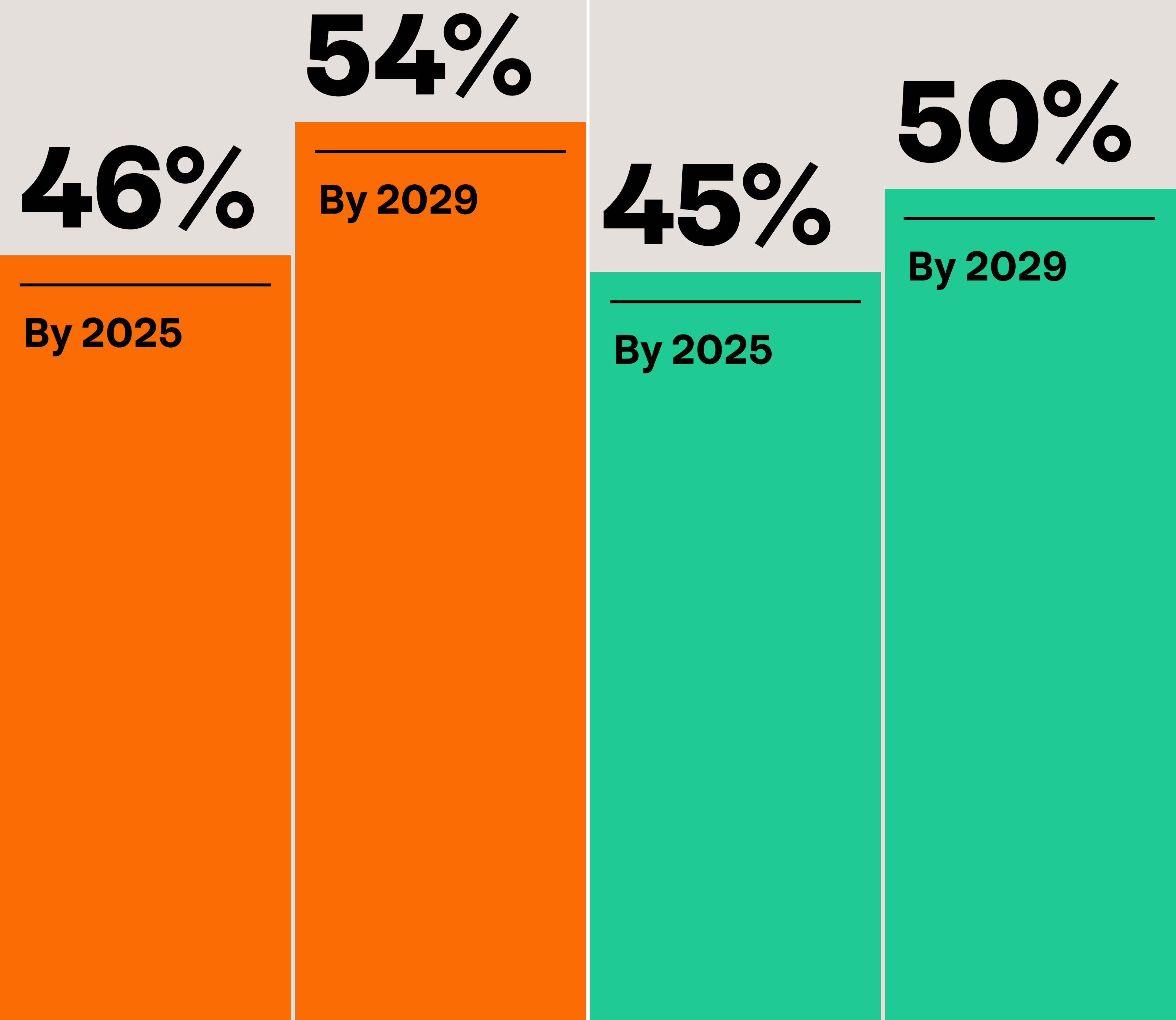
Respondents in APAC show a particular preference for infrastructure investment, with 61% intending to invest in infrastructure equity or debt over the next 12 months, rising to 65% over the next three to five years. Indeed, APAC investors have a long-established history of investing in infrastructure. In the 1990s, Australia launched a large-scale privatisation programme that coincided with the growth of its superannuation pension system, creating an opportunity for institutional investors, who started directing significant capital into infrastructure projects.

"Australians were the early entrants into the market, and the Canadians followed suit," says Global Head of Infrastructure at IFM Investors Kyle Mangini. He adds that some Canadian pension funds now allocate more than 20% of their portfolios to infrastructure. "In Europe, the Dutch are particularly keen," says Mangini. "In Asia, both Japan and Korea have active infrastructure programmes. Singapore has a significant exposure to infrastructure through controlling positions it takes via its sovereign wealth fund."

[4] https://www.preqin.com/academy/lesson-4-asset-class-101s/private-debt
[5] https://siepr.stanford.edu/publications/policy-brief/private-investigations-can-institutional-investors-fill-infrastructure

Investors intending to invest in infrastructure equity

Investors intending to invest in infrastructure debt



> **"Australians were the early entrants into the market.**
>
> **Kyle Mangini**, IFM Investors

Picture: Ausgrid

Capital inflows to North American infrastructure strengthen

Historically, the US has a deep institutional real estate market but has lagged behind some countries on infrastructure investment. However, according to Jonathan Gould from Callan, the country is now catching up: "In the US, there is currently a particular interest in infrastructure, given that it is providing stable returns, inflation protection and defensive assets that can be held for the very long term."

Like Canada, the US is also now an important recipient of infrastructure investment: 40% of investors across regions are anticipating investing in North American infrastructure debt, and 35% in North American infrastructure equity. Again, we note a home bias, with North American investors most likely to invest in local infrastructure equity (43%) and debt (45%).

The depth and breadth of the US market bring a corresponding opportunity for investors to target higher returns, says Jessica Thompson, Deputy Head of North America Infrastructure Debt at IFM Investors. "Looking at North America, we have a really diverse opportunity set across the risk-return spectrum," says Thompson. "In infrastructure debt, we are seeing increasing opportunities at the higher end of the risk spectrum that, historically, we haven't seen in different regions".

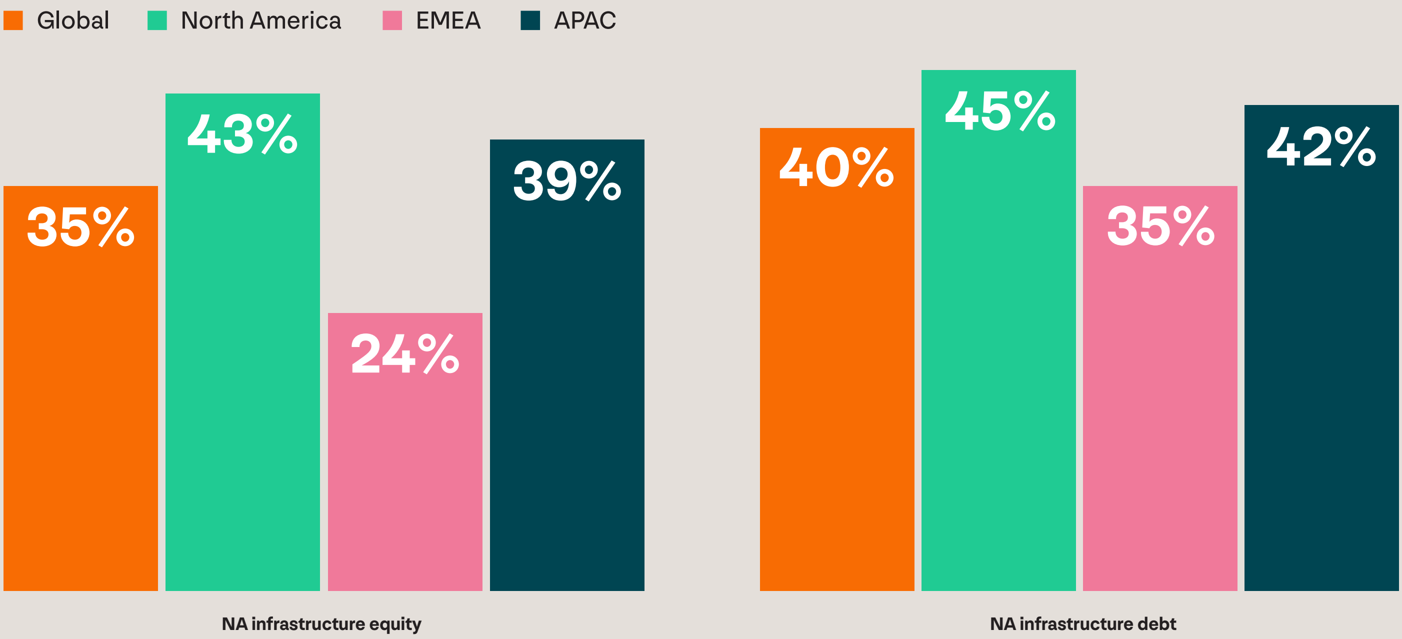
North American infrastructure also offers compelling equity investment opportunities, according to John Anderson, Global Head of Corporate Finance and Infrastructure at insurance group Manulife. "About two-thirds of our equity programme [comprises] direct investments in North America," says Anderson. "Infrastructure equity was our best-performing alternative equity during the COVID-19 pandemic and the 2023 interest rate shock. When other parts of your portfolio are under pressure, the resilience of infrastructure equity allows you to stay proactive as an investor, deploying capital in disrupted markets and securing premium returns."

In the US, the interest rate shock has also generated new opportunities on the debt side of infrastructure. New York State Common Retirement Fund's Anastasia Titarchuk says that the shift from an era of low interest rates, where traditional fixed-income assets often offered limited returns, has increased interest in alternative credit strategies such as infrastructure debt. "I would say credit is experiencing significant success right now," says Titarchuk. "There are lots of opportunistic credit strategies and hybrid strategies. But if you look back ten years, there probably wasn't a great opportunity, because you had low rates, and everything was priced to perfection."

> **"When other parts of your portfolio are under pressure, the resilience of infrastructure equity allows you to stay proactive as an investor, deploying capital in disrupted markets and securing premium returns.**
>
> **John Anderson**, Manulife

Global capital is investing in North American infrastructure

Percentage of respondents who say that North America is a region of focus for infrastructure equity and debt investments over the next 12 months



2. Why infrastructure?

Our *Private Markets 700* Barometer confirms the outlook for further growth in infrastructure investment. With net average return expectations above 11% — similar to our return expectations for real estate — investors see infrastructure equity as offering the potential for both robust performance and stability.

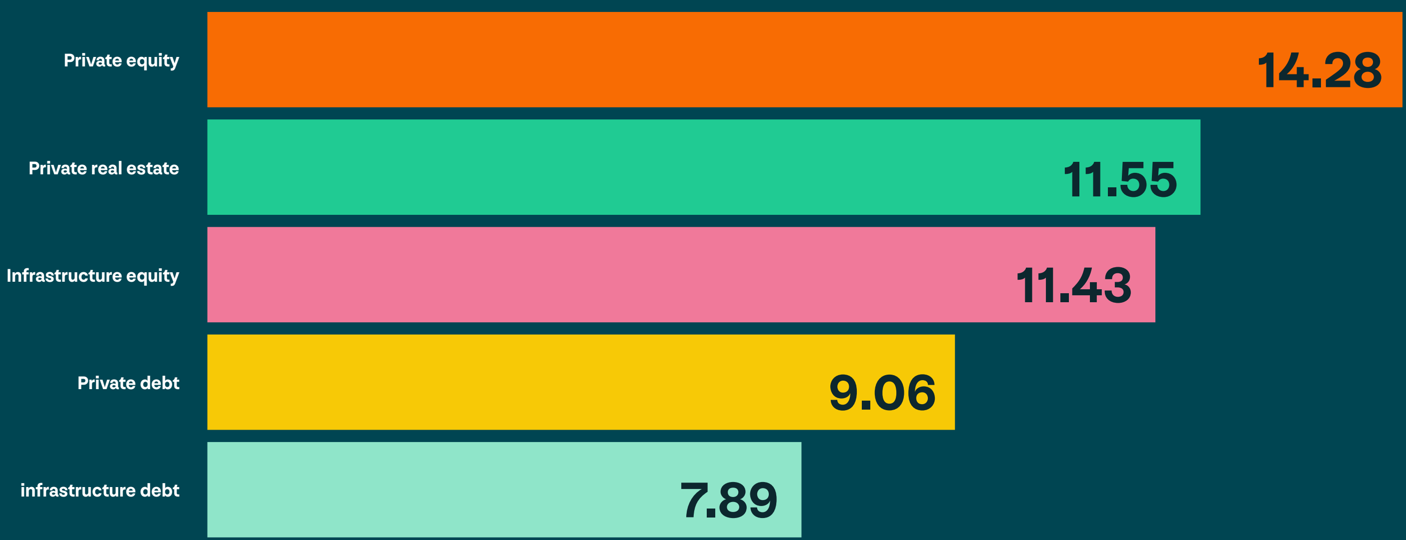
"Our infrastructure programme over the past 25 years has outperformed public equities with only a quarter of the volatility," says Manulife's John Anderson. "It has also outperformed the Burgiss Infrastructure Benchmark, with half the volatility."

According to Luba Nikulina, Chief Strategy Officer at IFM Investors, increased allocations to infrastructure are rebalancing other private markets allocations — except private equity. "Considering what pension funds, in particular, need from real assets, this explains why infrastructure is currently on the rise," says Nikulina. "I expect that exposures to other private markets asset classes will be trimmed over time."

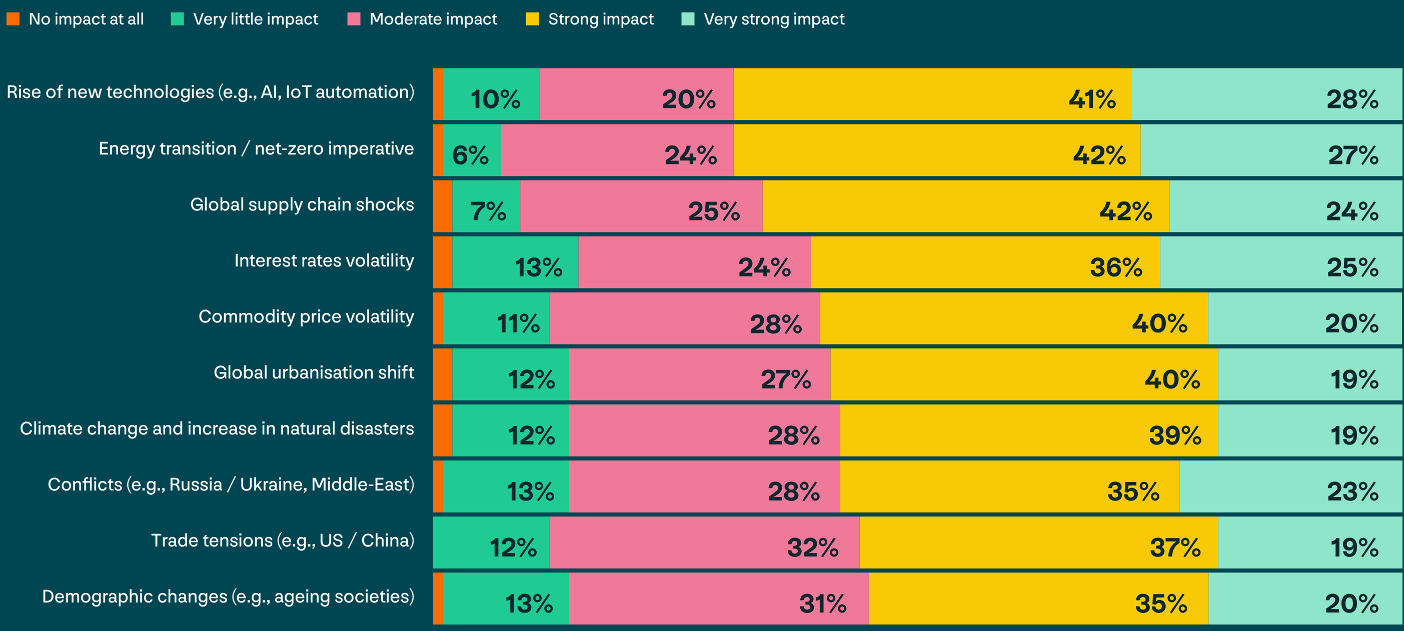
> **Our infrastructure programme over the past 25 years has outperformed public equities with only a quarter of the volatility.**
>
> **John Anderson**, Manulife

Asset owners expect strong returns from infrastructure equity investments

Respondents' average net rate of return expectations by private markets asset class



Top 10 megatrends affecting infrastructure investment strategies



Megatrends are shaping investments

"We see the growth in infrastructure assets and markets being driven by secular trends such as demographic change, urbanisation, ageing populations, increased digital connectivity and the energy transition," says Lombard Odier's Thierry Célestin.

The investors in our survey cite AI and the energy transition/net zero imperative as the most significant megatrends shaping infrastructure investment plans, followed by global supply chain disruptions.

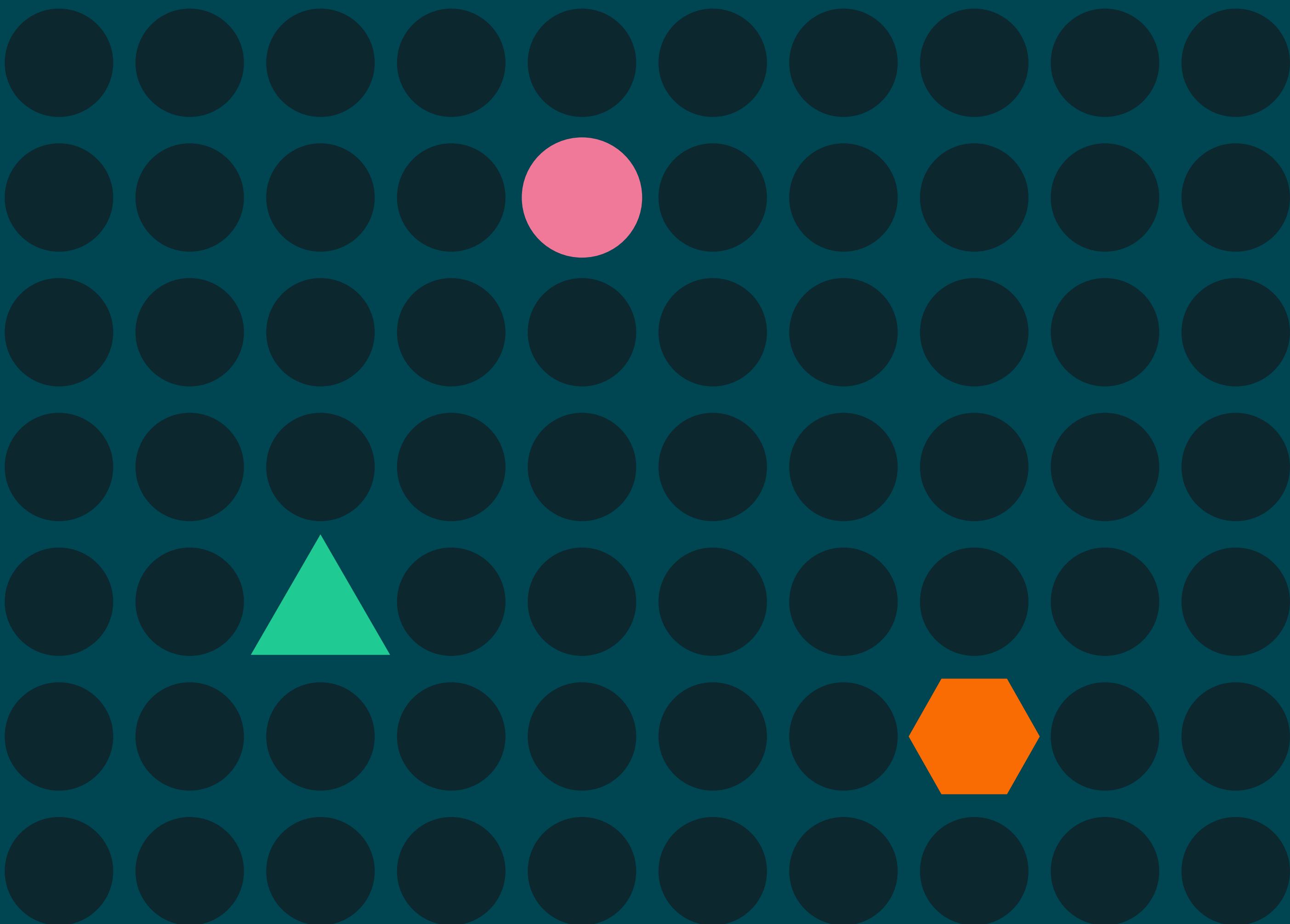
"Renewable energy is a very active space for us," says Manulife's Anderson. "Digital infrastructure is likely our second priority and, within that, the growing demand for computational power and data centres is drawing a lot of attention."

As Anderson says, the growing demand for AI will give rise to a need for new physical infrastructure, as well as a greatly increased power supply. AI-powered technologies could improve the efficiency and functionality of existing infrastructure. Climate change and decarbonisation, meanwhile, are fuelling investments in innovative solutions and clean energy systems, while geopolitical uncertainty has emphasised the need for infrastructure that is resilient, diversified and technologically advanced.

We see the growth in infrastructure assets and markets being driven by secular trends such as demographic change, urbanisation, ageing populations, increased digital connectivity and the energy transition.

Thierry Célestin, Lombard Odier

Top three megatrends affecting infrastructure investment: artificial intelligence the energy transition global supply chain disruptions



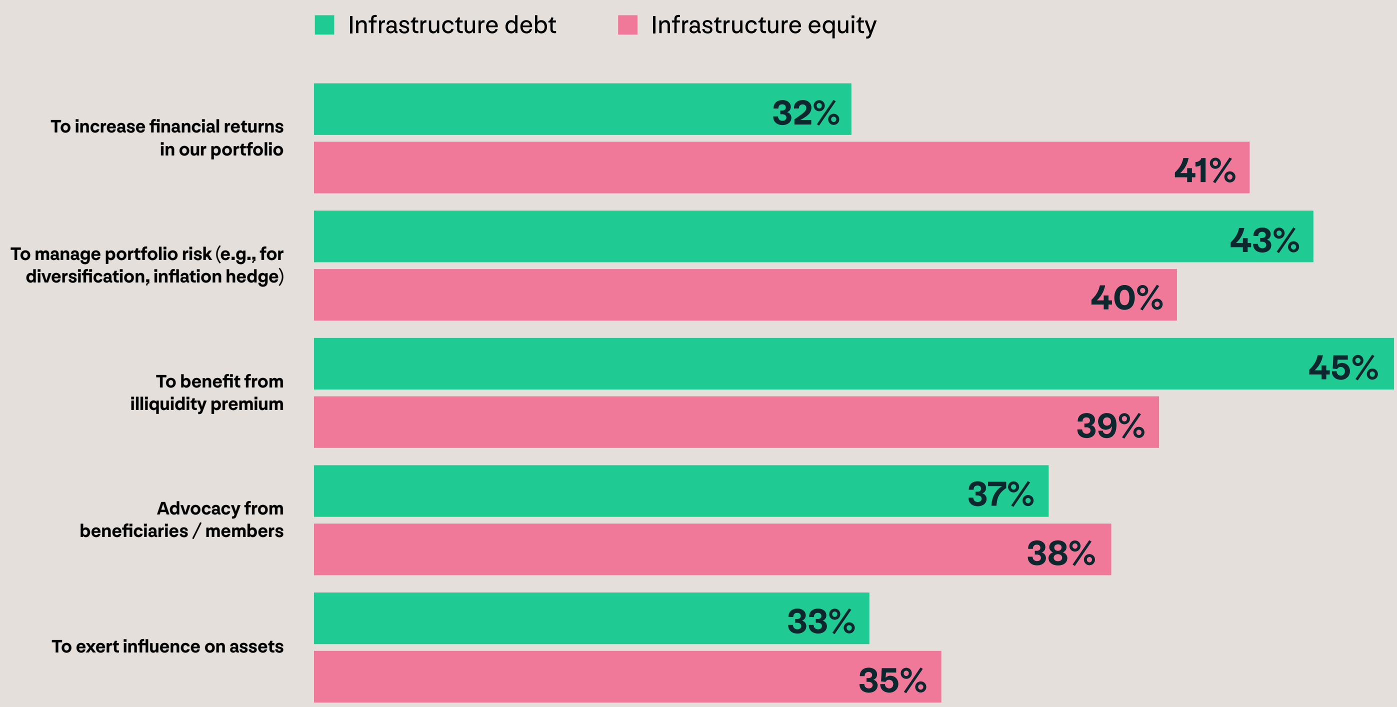
Catalysts for infrastructure investment

The investors in our survey recognise the benefits of infrastructure investments, which include the potential for higher returns, diversification and inflation hedging. Their primary reasons for investing in infrastructure debt are to capture the illiquidity premium and manage portfolio risk. For infrastructure equity, their main motivations are increasing financial returns and managing portfolio risk.

To achieve these benefits, asset owners are seen to value being able to exert direct influence over their infrastructure equity assets. However, they can find it difficult to gain direct access to infrastructure and other private markets. The classical solutions are commingled funds and co-investments, which allow schemes to pool resources and invest jointly in infrastructure. Our research reflects this: for investors who seek direct exposure to individual infrastructure assets, co-investment is the second-most used vehicle for investing in infrastructure after public-private partnerships.

"When we get involved in unlisted infrastructure, we make sure that it is with the right partners," notes UniSuper's Sandra Lee. "Finding the right long-term-minded investors is just critical."

Top reasons to invest in infrastructure



> **When we get involved in unlisted infrastructure, we make sure that it is with the right partners. Finding the right long-term-minded investors is just critical.**
>
> **Sandra Lee**, UniSuper

The illiquidity paradox and other challenges

Although investment in infrastructure is on the rise, investors are encountering obstacles. Our research respondents' top three concerns when investing in infrastructure are a perceived lack of data, illiquidity and a lack of opportunities.

IFM Investors' Luba Nikulina says that direct investment can address the data challenge. "Because all of these assets are idiosyncratic, the broader market data may be less easily accessible," says Nikulina. "But when you own the infrastructure assets, they provide you with their own data individually. That is a level of transparency you could only dream of in listed markets."

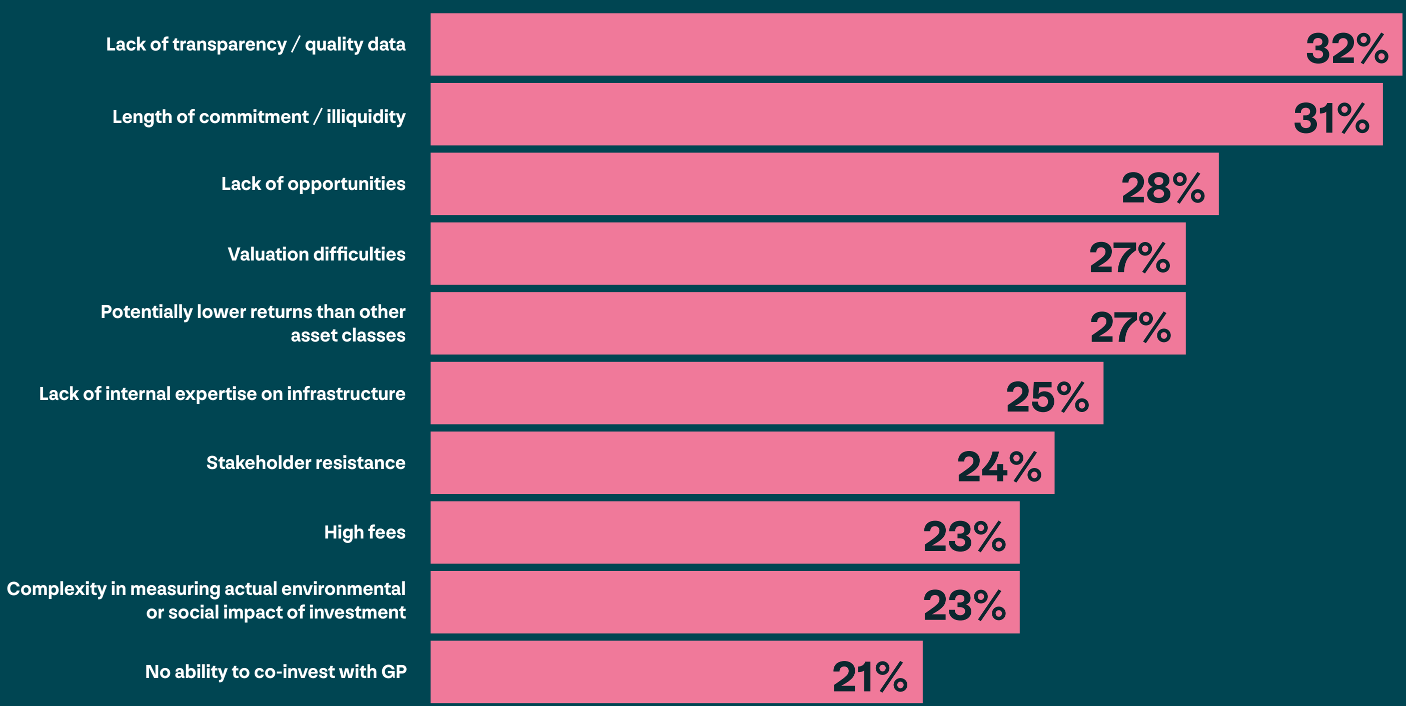
Growing interest in private markets and infrastructure is also spurring data innovation. "There is a whole market developing with data vendors and systems to try and close some of the gaps that may exist between public and private markets data," says IFM Investors' Jessica Thompson.

The dual nature of illiquidity, offering both a premium and a challenge, may seem paradoxical, but its impact varies depending on an investor's perspective and investment profile. Successfully managing illiquidity requires a robust framework, according to UniSuper's Sandra Lee. "When we invest in unlisted, private markets, we don't view illiquidity as a problem," says Lee. "We have solid management frameworks in place for illiquid investments, with clearly documented caps and well-defined processes and policies."

Selecting the appropriate fund structure is also crucial. Closed-ended and open-ended fund structures offer distinct sets of benefits to investors. "An open-ended structure allows investors to hold infrastructure assets for decades, while also offering quarterly liquidity," says Nikulina. But she stresses that providing this liquidity requires a sufficiently large and diversified portfolio, for which investors require time.

Respondents' top 10 challenges of infrastructure investment

Percentage of respondents citing challenge as a top 3 challenge or concern



Picture: Aleatica

Investors are moving up the risk curve

Our research finds that, as private markets, particularly infrastructure, move into the mainstream investment category, investors are supporting higher growth-oriented projects. Historically, infrastructure investors have focused on Core or Core-Plus investments, which offer lower-risk returns in stable, mature markets, typically in developed countries.[6]

But our research indicates that there is a shift towards higher levels of risk tolerance. More than a third of investors (36%) are choosing Core or Core-Plus investments (targeting a net rate of return between 5% and 12%), while a significant proportion are investing in high-growth segments: 45% are investing in Value-Add, which is a strategy focusing on assets that require enhancements and growing demand for the asset, targeting 13% to 16%. Nineteen percent are focused on the Opportunistic infrastructure segment, where investors may need to develop assets in their entirety, but that typically generate more than 16%.

Callan's Jonathan Gould says that while open-ended Core funds have traditionally been his clients' primary focus, this is not universal. "Our clients are largely public pension plans that prefer lower volatility, but there are also endowments, foundations and other institutional investors that are looking for more return enhancement," says Gould. "Some have ventured into Value-Add or non-core infrastructure, sometimes as part of their private equity portfolios."

This is the case at the New York State Common Retirement Fund. "For the fund, the expected net return target is 5.9%," says Anastasia Titarchuk. "But for our alternatives portfolio, we have statutory limitations of how much we can invest, which means we require a higher expected rate of return. So, we tend to invest in Core Plus, Value-Add or Opportunistic."

[6] https://www.mckinsey.com/industries/private-capital/our-insights/infrastructure-investing-will-never-be-the-same

Sustainability is at the heart of modern infrastructure

3. Infrastructure has a sustainability imperative

Sustainability is at the heart of modern infrastructure, influencing which infrastructure sub-themes investors choose to prioritise and their criteria for funding projects.

"In infrastructure, sustainability is a key driver of strategy, rather than a reactive response to emerging needs," says Lombard Odier's Thierry Célestin.

More than four in five investors say that social infrastructure (hospitals, schools, stadiums and government buildings) and environmental infrastructure (including renewable energy systems and green buildings) are their priorities for both infrastructure equity and debt.

Traditional energy infrastructure is another priority. There are strong investment opportunities in oil, gas and traditional power generation, caused by energy security concerns following the outbreak of the Russia-Ukraine war.

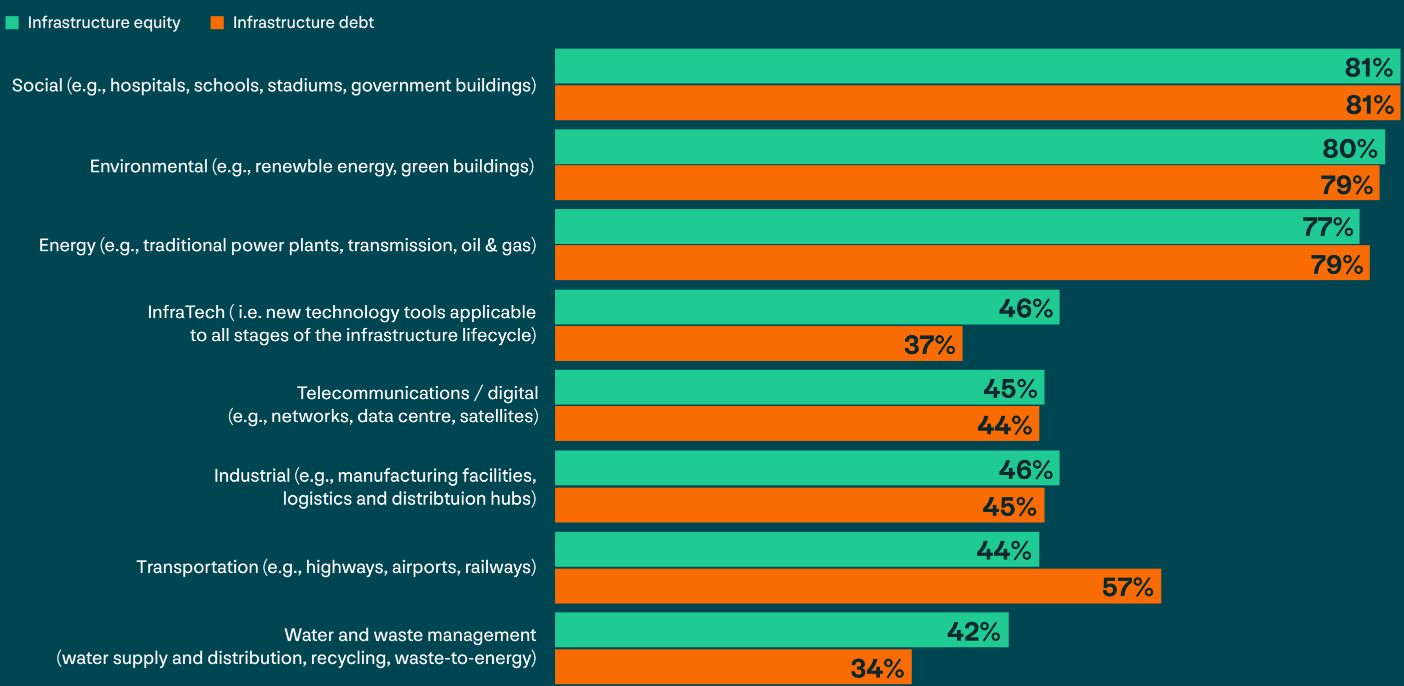
Funds dedicated to the energy transition and environmental infrastructure have grown significantly in recent years, representing a global market of US$1.8 trillion in 2023.[6]

"In the US, this is largely driven by commercial interests recognising the massive energy transition opportunity," says IFM Investors' Luba Nikulina. "The Inflation Reduction Act has been particularly influential, because it offers tax incentives for building renewable energy projects such as solar and wind." This may be why a high proportion of the US-based investors in our research (82%) regard energy transition-focused funds as a particularly attractive opportunity in infrastructure investments — above the average across regions (75%).

According to Callan's Jonathan Gould, there are also opportunities beyond power generation, including battery storage and charging centres. "These technologies are increasingly integrated into daily life, creating new investment opportunities in these areas," he says.

Social, environmental and energy infrastructure are priorities for infrastructure investors

Percentage of respondents planning to increase their exposure to infrastructure sub-themes



[6] https://about.bnef.com/energy-transition-investment/

Social equality creates value

Investors' enthusiasm for socially themed opportunities is not purely altruistic, however. They see these investments as enhancing long-term value. "If you look at markets with strong social investment opportunities, like Europe, Canada and Australia, the performance has been excellent," says Manulife's John Anderson. "They may be hard to acquire, but we love owning them."

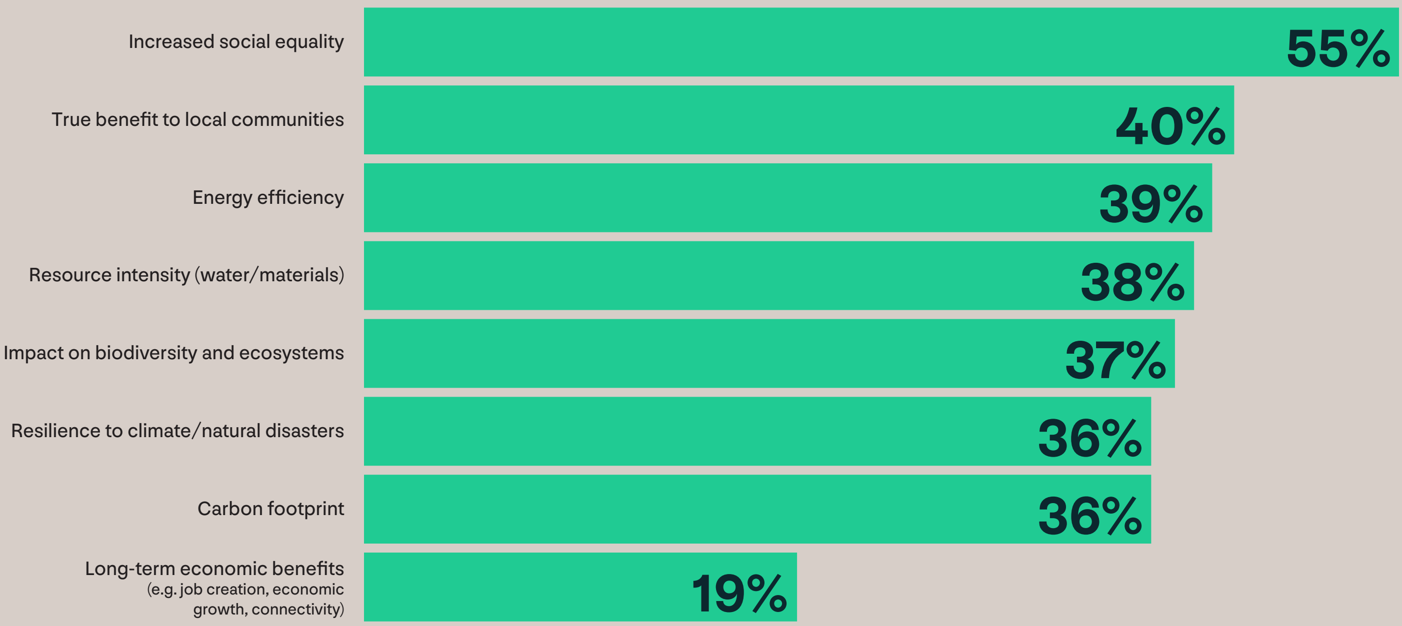
Among the various sustainability factors, such as energy efficiency, carbon footprint and climate resilience, that investors consider when deciding whether to invest in infrastructure, social equality stands out. More than half of the investors in our research say that increasing social equality is one of their top three sustainability considerations, followed by the goal of delivering true benefits to local communities. The fact that 77% agree that long-term investors should do more to address social inequality justifies this focus on infrastructure that contributes to economic growth and serves communities' needs.

Nikulina believes that social and environmental impacts are closely intertwined, and that treating them separately will lead to suboptimal outcomes. "We need to develop renewable energy in a way that is socially responsible, and to build social and affordable housing that is low in emissions," says Nikulina. "As an investor, you really need to ensure that you exercise more of a holistic approach. That is the only way we will resolve those challenges for the benefit of society and for the benefit of our current and future pensioners."

> **"If you look at markets with strong social investment opportunities, like Europe, Canada and Australia, the performance has been excellent.**
>
> **John Anderson**, Manulife

Social impact is investors' top sustainability consideration

Percentage of respondents citing factor as a top 3 consideration



"We need to develop renewable energy in a way that is socially responsible, and to build social and affordable housing that is low in emissions.

Luba Nikulina, IFM Investors

Investors in the US are more likely than investors in other regions to say that sustainability is a key factor in decision-making when it comes to investments in private markets (81% compared with 72%).

81%

USA

72%

Globally

Sentiment on sustainability

Our research findings challenge the common belief that sustainability is less important to investors in the US than to those in other regions. Indeed, investors in the US are more likely than investors in other regions to say that sustainability is a key factor in decision-making when it comes to investments in private markets (81% compared with 72%).

While news headlines and anti-ESG legislation reveal politically driven resistance in the US, IFM Investors' Jessica Thompson encounters more nuance when she speaks directly with investors. "Many investors recognise the value of integrating ESG into investment strategies," says Thompson. "From a risk management perspective, but also from a value-creation perspective."

There can be big regional differences in attitudes towards ESG, according to Gould. "When it comes to sustainability, the extent of pressure from constituencies can make a big difference," he says. "If it is a California or Illinois pension plan, there is likely a lot of pressure to invest in sustainable assets, whereas it is not a priority in, say, Alaska. We broadly see the same thing with university endowments."

Thompson agrees. "Sustainability is very multifaceted, very dynamic, and I think that will continue to be the case," she says. "That requires a constant evaluation and evolution of how you approach it."

Anastasia Titarchuk from New York State Common Retirement Fund believes investors should treat ESG and sustainability as separate investment concepts. "There is certainly a lot of controversy about ESG, and I don't know that sustainability gets the same amount of scrutiny," says Titarchuk. ESG is a risk management tool that considers the impacts of a range of factors on financial performance. Sustainability also incorporates the impact of those factors on society and the environment. Investing for sustainability is straightforward, Titarchuk says: "If I am investing in sustainable infrastructure, such as solar or wind, that is a lot easier to define and [it is] a lot easier to drive returns than investing based on ESG factors."

Elsewhere, there are few signs of an ESG backlash, and sustainability seems firmly ingrained in investment decision-making. In the EU, asset owners are mandated to integrate sustainability into their investment decisions through multiple regulatory frameworks, including the Sustainable Finance Disclosure Regulation, the EU Taxonomy and the Shareholder Rights Directive II.

In the UK, since December 2021, the Financial Conduct Authority (FCA) has required companies, financial institutions, and FCA-regulated pension schemes to implement disclosure requirements in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, the 2021 Pensions Schemes Act requires UK pension schemes to implement TCFD reporting. “Every pension scheme knows they have to think about sustainability and net zero,” says the Pensions Policy Institute’s Daniela Silcock.

Although there is currently no legal mandate for Australian asset owners to integrate sustainability into investment decisions, many are adopting voluntary frameworks such as the TCFD ahead of climate-related disclosures being mandated for Australia institutions and companies from 2025. Guidance from the Australian Prudential Regulation Authority (APRA) recommends that asset owner trustees include environmental and social risks in their broader risk management strategies.

This sustainability imperative underscores the growing opportunities for infrastructure investments that support the energy transition and sustainable development, leading both to significant financial returns and to long-term societal benefits.

“Sustainability is very multifaceted, very dynamic, and I think that will continue to be the case. That requires a constant evaluation and evolution of how you approach it.

Jessica Thompson, IFM Investors

Picture: Aqualia

Conclusion

Private markets have become a critical part of global asset allocations because they can offer opportunities for diversification and competitive returns. Among these, infrastructure is becoming a cornerstone of long-term investment strategies.

Our Private Markets 700 research finds that:

1

Private markets investment has moved from niche to mainstream,

led mainly by institutional and private investors seeking higher yields and diversification opportunities. Private equity and real estate are currently the focus, but other private asset classes are gaining momentum.

2

Appetite for infrastructure continues to grow,

with more than half of respondents planning to invest in infrastructure equity and debt over the next three to five years. We believe investors should consider the enhanced return, resilience, inflation hedging and diversification benefits of infrastructure, especially in an environment where traditional asset classes are facing volatility.

3

Megatrends such as digitisation, decarbonisation and geopolitical uncertainties are encouraging investments in infrastructure.

By taking a forward-looking approach to portfolio construction, investors can capitalise on these transformative trends.

4

Investors are increasingly moving up the risk curve,

with 45% of respondents targeting Value-Add and 19% targeting Opportunistic segments. While Core or Core-Plus investments offer stability, more growth-oriented investors may get stronger returns from non-core infrastructure assets, although this will require thorough risk management and specialised expertise.

5

A lack of data and illiquidity are challenges of infrastructure investing.

To unlock the full potential of their infrastructure assets, investors will need to capitalise on partnerships with established infrastructure managers.

6

Modern infrastructure comes with a sustainability imperative,

which is a source of opportunities. Energy transition-related and social infrastructure are particularly promising areas for investors. There is a significant potential for growth as investors and governments collaborate to build a more equitable and sustainable future.

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