

The Evolution of Infrastructure Investing

How an expanding opportunity set is changing the way institutional investors allocate to infrastructure

AUTHORS

Alper Daglioglu
Managing Partner,
Head of Investment
Solutions Group

Riley O'Neal
Managing Director,
Investment Solutions
Group

Gaal Surugeon
Managing Director,
Investment Solutions
Group

Sam Garetano
Managing Director,
Investment Solutions
Group



Key takeaways

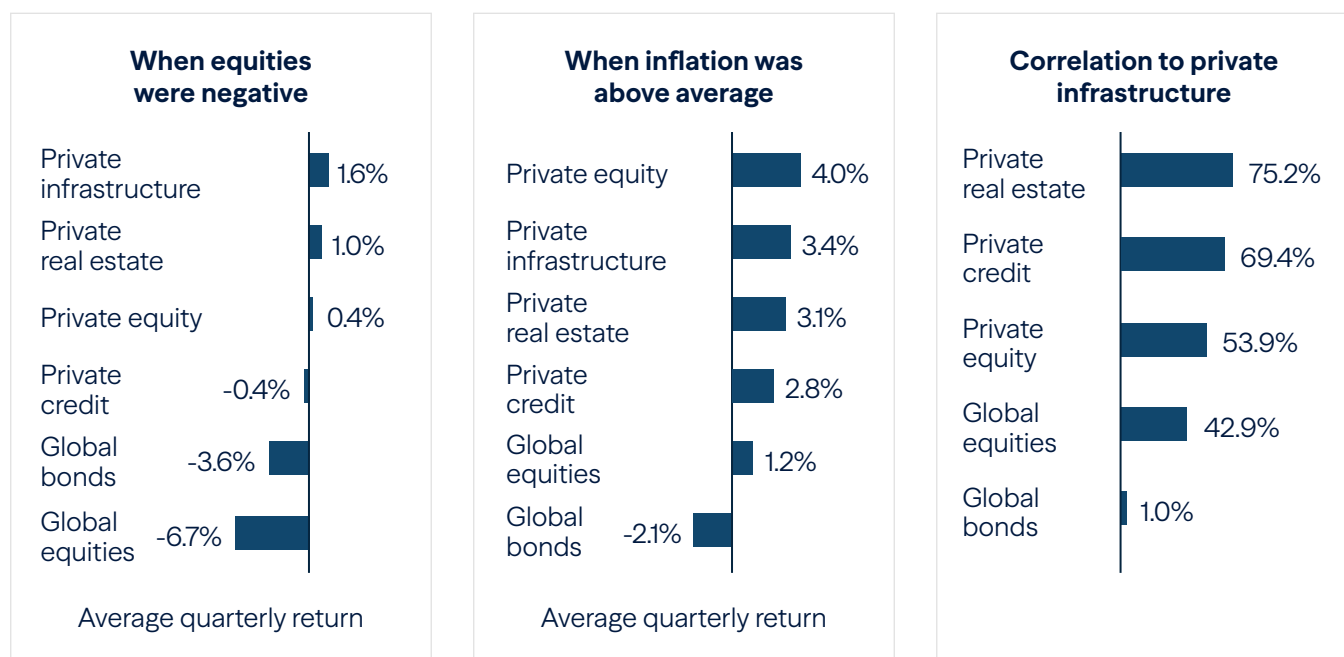
- Infrastructure investing will look materially different over the next decade from the last. For many institutional investors, the question is no longer whether to allocate to the asset class, but how to construct an integrated infrastructure portfolio that meets specific investment objectives.
- Digitalization, decarbonization and deglobalization are reshaping the global economy and driving huge investment to modernize existing infrastructure and build new assets, including digital networks, new energy systems and more resilient supply chains.
- The opportunity set now spans a broader range of sectors, return drivers, risk profiles, capital structures, liquidity characteristics and investment vehicles. Many existing allocations may not fully capture this breadth, or may lack exposure to some of the most significant structural growth trends.

Infrastructure's resilience

Infrastructure has traditionally attracted investors for its potential to provide stable income, inflation protection and diversification benefits. In recent years, these portfolio benefits have been tested by a global pandemic, elevated inflation and interest rates, and geopolitical conflict—and the asset class has demonstrated more resilience than most investors expected.

Strong through recent storms

Infrastructure performance vs other asset classes, 2020–2025



Source: Brookfield, Bloomberg, Preqin. Analysis period from January 2020 through December 2025. Global Equities represented by the MSCI World Index; Global Bonds by the Bloomberg Global Aggregate Index; Private Infrastructure by the Preqin Global Infrastructure Index; Private Equity by the Preqin Global Private Equity Excluding VC Index; Private Real Estate by the Preqin Global Real Estate Index; Private Credit by the Preqin Global Private Debt Index. The Preqin indices used are the Closed-End (Legacy) index series. Periods of above-average inflation include those quarters where the year-over-year Personal Consumption Expenditures (PCE) price index was above the average for the analysis period. Negative equity markets include any quarter where the MSCI World Index return was <0%. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be limitations to the data provided given limited coverage, reporting lag and different valuation methodologies. Further, private infrastructure funds that are included in the index choose to self-report. Thus, the index is not representative of the entire private infrastructure universe and may be skewed toward those funds that generally have higher performance. Over time, funds included or excluded based on performance may cause a "survivorship bias" that can result in a further misrepresentation of performance. Past performance is no guarantee of future results.

An expanding opportunity set

The investment opportunity set has also expanded in recent years. That’s not because the definition of infrastructure has changed. The investment characteristics remain the same: assets that provide essential services, possess high barriers to entry, have long useful lives and generate durable, often inflation-linked, cash flows. Instead, it’s because three structural trends—digitalization, decarbonization and deglobalization—are reshaping the global economy and the backbone that supports it.

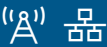
Digitalization initially created demand for investment in cell towers and fiber to provide connectivity. That later expanded into data storage and processing—and now it has evolved further into cloud infrastructure, hyperscale data centers, AI-related compute capacity and the power systems needed to support them.

Decarbonization has evolved over time. The environment is no longer one of energy transition, but of energy addition. As global electricity demand rises—driven by electrification, industry and AI—the investment opportunity is not just in replacing carbon-intensive energy with renewables; it is increasingly in expanding the supply of all types of energy, and investing in the required generation, storage and transmission infrastructure.



Deglobalization accelerated during the Covid-19 pandemic with a focus on the reshoring of critical industries and supply chain resilience. Since then, the Russia-Ukraine war and rising geopolitical tensions more broadly have led governments and corporations to increasingly prioritize energy security and data sovereignty. That’s resulting in greater investment in domestic energy systems, digital infrastructure and strategic supply chains.

An expanding opportunity set

	10+ YEARS AGO		5 YEARS AGO		TODAY
DIGITALIZATION	 Towers and Fiber	+	 Data Centers and Cloud Infrastructure	+	 AI Compute and Supporting Power Infrastructure
DECARBONIZATION	 Hydroelectric and Wind	+	 Solar and Distributed Generation	+	 Batteries and Transmission
DEGLOBALIZATION	 Ports and Logistics Infrastructure	+	 LNG and Liquids Pipelines	+	 Container Leasing and Semiconductor Manufacturing

Source: Brookfield. Illustrative examples. Assets within each category can vary significantly based on regulation, contractual structure, maturity and development risk. The categories build on each other over time, expanding the investment universe, rather than replacing each other.

The result is a growing investable universe, spanning both traditional and newer forms of infrastructure. Ports, pipelines, towers and electric transmission and distribution networks remain essential, requiring ongoing investment and operating expertise to maintain and modernize them. Solar, battery storage and hyperscale data centers have expanded rapidly. They increasingly offer long-term contracted cash flows and exhibit the defining investment characteristics of infrastructure. Emerging areas,

including AI infrastructure and next-generation energy systems, sit higher on the risk/return spectrum but provide exposure to some of the most significant structural growth trends shaping the global economy.

The investment needed across all these types of infrastructure globally through 2040 is expected to be approximately \$100 trillion.¹ Meeting this demand will require close partnership among utilities, governments, customers and private capital.



Rethinking infrastructure allocations

This expansion of the asset class has important implications for allocators. Many infrastructure allocations today are relatively narrow and no longer capture the full opportunity set. As the investable universe has expanded, so too have the options to invest in it, with infrastructure not only spanning a broader range of sectors, but also risk profiles, capital structures, liquidity characteristics and investment vehicles. That means institutional investors can use the asset class to pursue a broader range of objectives, including income, growth and diversification. The question is no longer simply whether to allocate to infrastructure, but how to capture the growth of the asset class, as well as its traditional portfolio benefits.

46%
of institutional
investors are currently
underallocated to
infrastructure

Source: Infrastructure Investor's LP Perspectives 2026 Study.

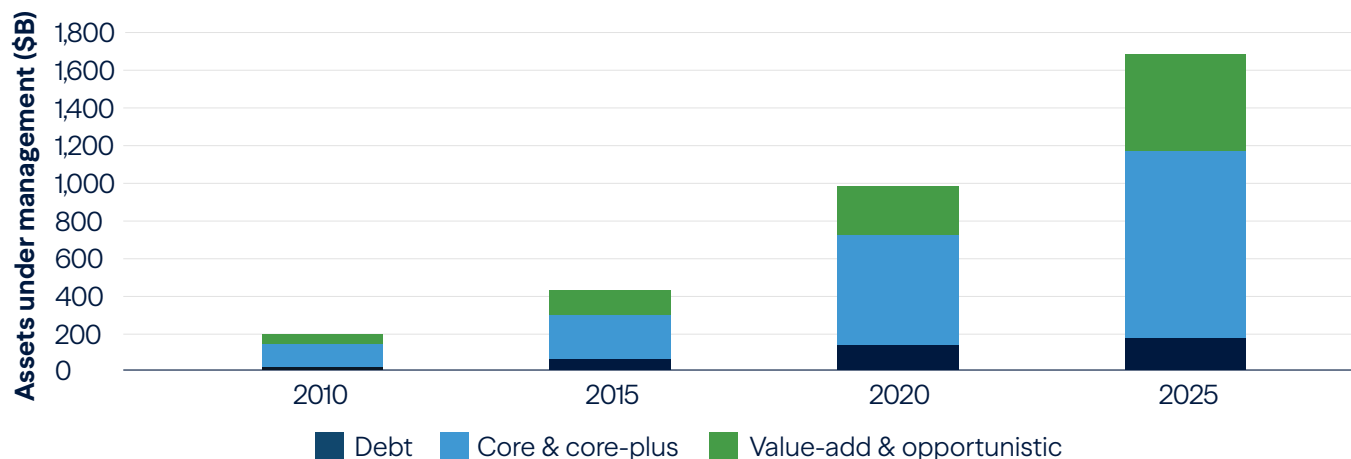
More strategies, more choice

Strategy	Typical investment profile	Primary portfolio role	Key trade-off	
Debt	Senior or structured lending secured by infrastructure assets and businesses	Income, capital preservation and diversification	Capped upside, credit and prepayment risk	Lower risk/return Higher risk/return
Core	Mature, operating essential assets with stable, contracted or regulated cash flows	Stable values and current income	Lower earnings growth, limited upside	
Core-plus	Operating assets with identifiable opportunities for earnings growth, operational improvement or selective expansion	A balance of income and growth	Greater operating and execution risk than core, less current income	
Value-add	Assets requiring meaningful operational improvement, expansion or repositioning	Capital appreciation and growth	Higher execution and liquidity risk, more back-ended returns	
Opportunistic	Development, asset creation and earlier-stage opportunities	Structural growth exposure, higher return potential	Highest development, market and execution risk, longest and least-predictable path to liquidity	

Yet institutional investors remain skewed towards core and core-plus strategies, which means they may be missing out on exposure to structural growth opportunities.

Skewed towards lower-risk strategies

Breakdown of infrastructure assets under management by strategy (cumulative)



Source: Preqin, data as of August 2026.

Spotlight on capital structure: A broadening menu of options

Infrastructure investors have focused primarily on equity strategies and a small number of infrastructure debt strategies. But demand has been growing for debt, as well as structured (or hybrid) equity.

Infrastructure debt has historically offered higher yields than corporate bonds and Treasuries, with similar returns to broader private credit.² Higher base rates and wider lending spreads have brought return targets closer to those of core infrastructure equity, while debt remains more senior in the capital structure and offers more downside protection. Infrastructure debt has historically experienced lower default rates and higher recovery rates than broad corporate loans.³

Structured equity sits between equity and debt. It typically combines contractual income and downside protection with some participation in any future asset appreciation, such as through preferred equity with warrants. Another characteristic is that the capital can be designed not just to finance an asset, but also to solve a specific growth, liquidity, valuation or ownership challenge.

Structured equity spectrum: blending attributes of debt and equity



Adding infrastructure debt and structured equity to a portfolio can help diversify return sources by providing exposure to more senior parts of the capital structure, which enhances downside protection. They both have the potential to generate attractive returns throughout the credit cycle, particularly when bank lending is constrained or refinancing pressure is higher.

Five questions to consider when building a modern infrastructure portfolio

Here we look at some key questions institutional investors should consider when building an infrastructure portfolio. Each question is important in its own right, but even more important is how they interconnect. Optimizing an infrastructure portfolio means finding the right balance across all of them—and we provide some examples in the next section.

1. What is the right size and composition for an allocation to infrastructure—and how should you fund it?

There is no one-size-fits-all infrastructure allocation. The starting point should be the role it is intended to play in the broader portfolio. An investor seeking stable income or inflation protection is likely to have a different allocation from an investor seeking capital appreciation and exposure to structural growth themes. Other factors that will influence the allocation include existing exposures within the portfolio, liquidity budgets, governance capacity and the ability to gain diversified exposure across infrastructure strategies.

The size and composition of the allocation should also be revisited over time. As portfolio values change and capital is deployed or distributed back, the allocation can drift away from the target or the target itself may need to be changed.

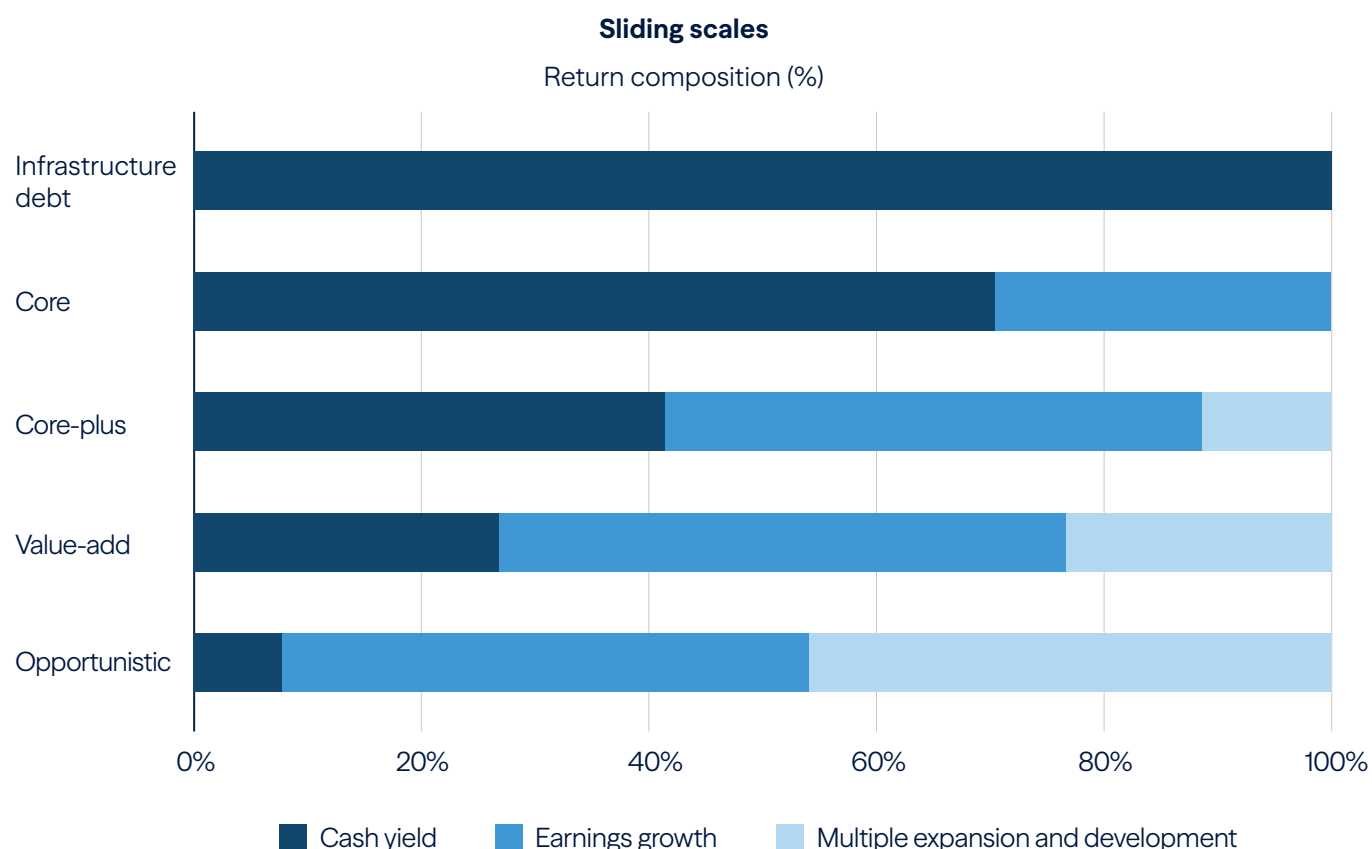
There's also the question of how to fund an infrastructure allocation. For example, an income-oriented allocation may be best funded from fixed income or private credit, while a growth-oriented allocation may instead be better funded from public equities, private equity or real estate. This choice matters because reallocating capital within a portfolio changes its expected return, risk, liquidity and cash-flow profile. See some examples in the illustrative portfolios on pages 13-15.



2. Which return drivers best align with your objectives?⁴

Infrastructure strategies generate returns from three primary sources: cash yield, earnings growth, and multiple expansion and development. The mix of each varies across strategies, so investors can select among them based on which return drivers best align with their objectives.

1. **Cash yield** tends to account for a larger share of returns in infrastructure debt and core strategies. For debt, cash yield comes from coupon payments, while for core infrastructure, it is derived from contracted or regulated cash flows.
2. **Earnings growth** becomes a more important source of return for core-plus and value-add strategies. It may be driven by inflation-linked pricing, volume or GDP growth, or planned capital reinvestment.
3. **Multiple expansion and development** is a larger driver of returns in value-add and opportunistic strategies. It can come from operational improvements, significant capacity expansion or the development of new projects. Other market factors can also influence the timing and size of returns, including interest rates, inflation, economic growth, M&A activity and market valuations.



Source: Brookfield analysis. The classifications and return compositions shown are illustrative, reflect generalized assumptions and do not represent any specific investment, fund or guaranteed outcome. Movement along the risk/return spectrum generally reflects increasing exposure to operational, development, construction, financing and/or market risk, together with a greater proportion of returns expected from earnings growth and expansion or development. Actual returns and their composition may differ materially.

3. Which risks are you taking—and are you being appropriately compensated?

Investors are often drawn to infrastructure for its defensive characteristics, and sometimes increase risk-taking within the asset class on that basis. Investors should be aware of the factor and idiosyncratic risks to which they are exposed and that may not be apparent from a risk profile label. Distinguishing between the two can help identify unintentional concentrations and inform whether the compensation for those risks is appropriate.



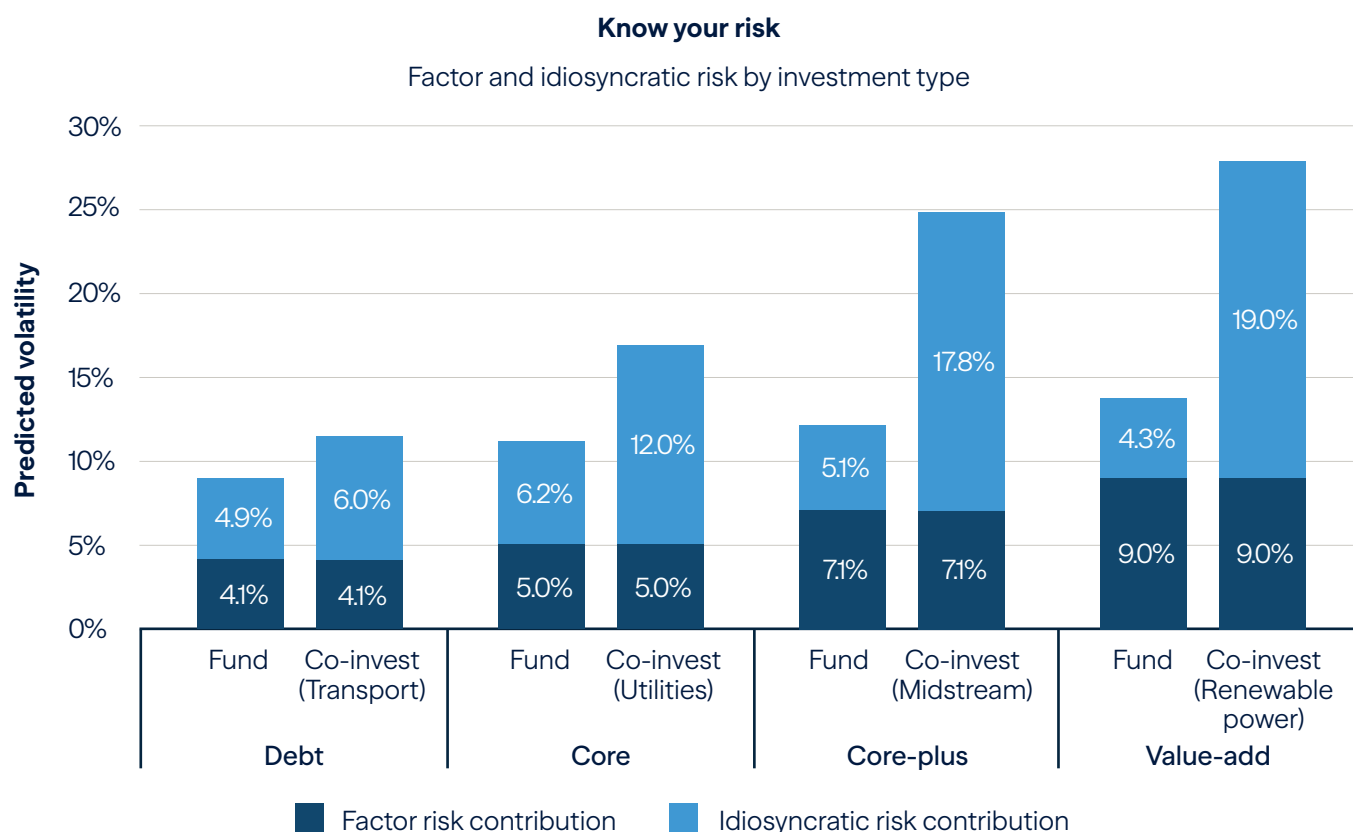
Factor risk arises from broader market, economic or political forces that can affect multiple assets simultaneously. Examples include interest rates, inflation, economic growth, financing conditions, commodity prices, foreign exchange rates, regulation and geopolitical developments.



Idiosyncratic risk is specific to an individual asset, company or transaction. Examples include volumes falling below forecasts, customer concentration, construction delays, capital expenditures exceeding expectations and changes in the competitiveness of an asset.

These risks should be evaluated across the overall infrastructure portfolio, not just investment by investment. Factor risks may be broadly similar across investments within the same strategy, while idiosyncratic risk can vary materially by asset. Decomposing the two can therefore reveal concentrations that may not be apparent from a strategy label. For example, the decomposition could reveal outsized exposure to interest-rate, currency or regulatory risk.

As the chart below shows, factor risks tend to be similar across funds and co-investments, while direct and co-investments have more asset-specific risk because they concentrate exposure in individual assets. That makes sizing, diversification and bottom-up underwriting particularly important.



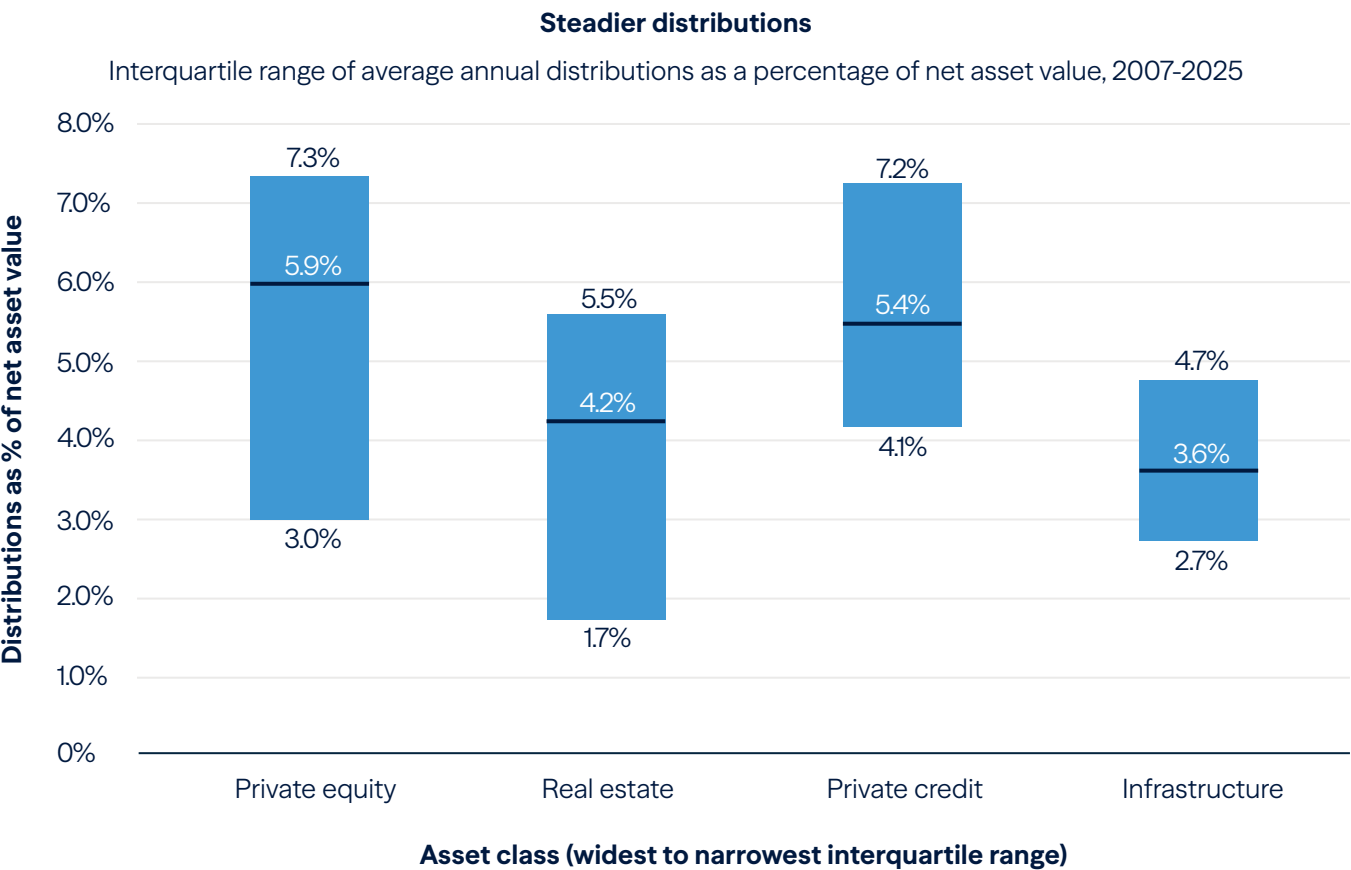
Source: Brookfield. For fund-level investments, we estimate the factor risks using Cambridge Associates' intra-index dispersion data. For co-investments and other single assets, we source a pool of appropriate public proxies, which we then use to estimate the idiosyncratic risk.

4. Which investment vehicles can help you best meet your capital deployment, liquidity and pacing needs?

The choice of investment vehicle partly depends on how quickly an institutional investor wants to deploy capital and how much liquidity they need to retain. Direct investments, co-investments and open-end structures generally put money to work more quickly, while closed-end structures draw committed capital over time as investments are identified and completed.

The choice of investment structure also affects the timing and source of liquidity. Open-end structures typically hold operating assets that generate current income and may offer periodic liquidity, while closed-end structures generally lock up capital for longer and are better suited to value-add and opportunistic strategies where value creation takes time. Direct and co-investments can increase concentration. How and when cash is returned to investors depends mainly on the performance of the individual assets or when they are sold or refinanced.

Institutional investors should also assess liquidity through the market cycle. The essential nature of many infrastructure assets means they may offer more consistent income and distributions than other private market strategies that are more sensitive to economic cycles—though outcomes will vary by asset, strategy and market environment. More predictable distributions make it easier to estimate how much cash the portfolio will generate to fund capital calls or other obligations. That said, during prolonged market downturns, it may take longer for private market strategies to sell assets and return capital to investors, putting pressure on portfolios that need to fund new commitments from those distributions.



Source: Preqin North American Fund Indices, data as of December 2025. The chart shows annual distributions to investors as a percentage of net asset value. The figure in white represents the median distribution, while each box shows the range containing the middle 50% of observations. The smaller the box, the more consistent the distributions.

Effective portfolio management is therefore about more than choosing the right vehicles. Institutional investors should model expected capital calls and distributions, stress-test the portfolio under weaker market conditions and pace new commitments to avoid both liquidity shortfalls and excessive idle cash. Investors can build in additional flexibility with a considered mix of strategies, capital structures and investment vehicles with different liquidity profiles. For example, having a mix of closed- and open-end structures means that if distributions from a closed-end structure are slower than expected, an open-end allocation could provide an additional source of liquidity.

The right blend will depend on the investor's time horizon, funding needs, illiquidity budget and desired sources of return. As portfolio needs and market conditions evolve, institutional investors may need to adjust the pace of their commitments and the mix of vehicles to meet cash flow requirements.

5. How can you evaluate performance across a diverse infrastructure portfolio?

There is no universally accepted method for benchmarking infrastructure returns, largely because the asset class spans a wide range of sectors, strategies and risk profiles. Returns from airports, utilities or data centers can vary depending on regulation, leverage, geography and demand. Even commonly used strategy labels such as core, core-plus and value-add are applied inconsistently, further complicating comparisons across funds, direct investments and co-investments.

What investors can do is first measure performance against a total return target that reflects the role the infrastructure allocation is intended to play. This reveals whether the portfolio is delivering its intended mix of income, growth and capital preservation.

Institutional investors may then wish to complement that with a selection of industry benchmarks. The selection of public and private market reference points should reflect as closely as possible the allocation's intended role, sources of return, risk profile and liquidity characteristics.

A mix is best

Industry benchmarks that can offer insights on infrastructure performance

 "CPI Plus" Consumer Price Index plus 300-500 basis points	 Public-Market Benchmarks Benchmarks like a listed infrastructure index or a broad equity index	 Aggregated Performance Data Private infrastructure performance data from providers like Cambridge, MSCI or Preqin
+ Offers a simple measure of whether the allocation is meeting its long-term return objective - Says little about relative manager performance	+ Could shed light on the opportunity cost of the infrastructure allocation - Could misrepresent the underlying risk, leverage and liquidity profile of a private infrastructure portfolio	+ Offers peer comparison - Could have different strategy mixes, reporting and valuation methods

Putting it all into practice: Three illustrative portfolios

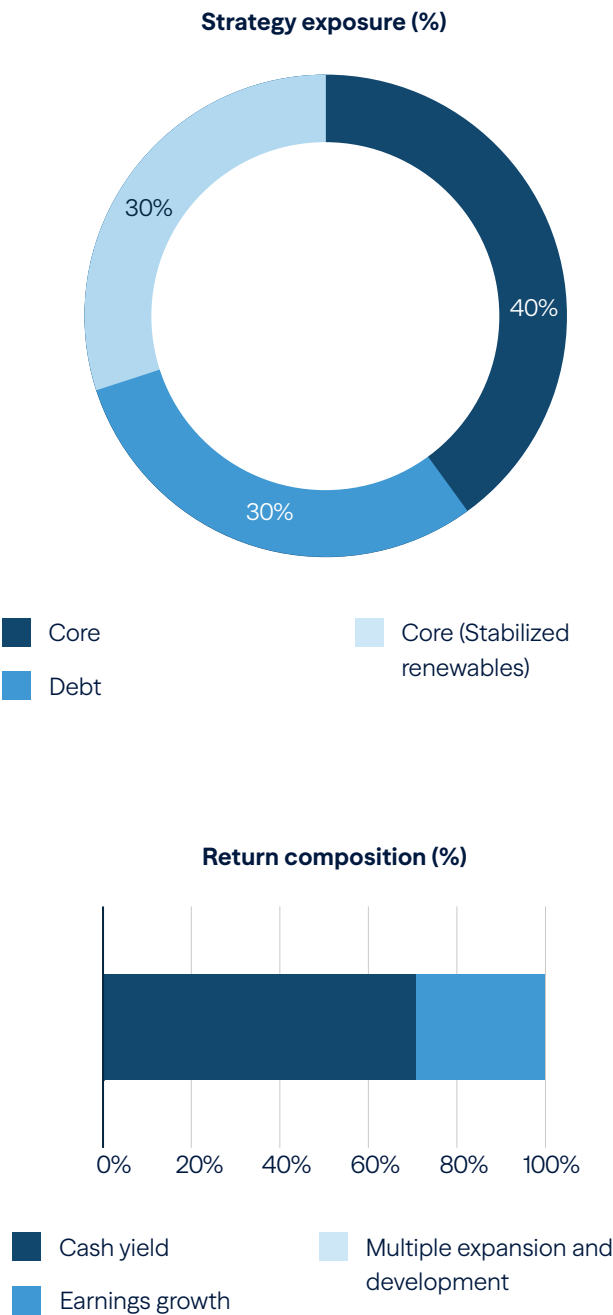
Institutional investors can now gain exposure to infrastructure via a wider range of sectors, strategies, capital structures and investment vehicles. The size of an investor's exposure—and how it is funded—will depend on the role it is intended to play within the broader portfolio, while the mix of strategies and capital structures chosen will depend on the desired return profile. Risk, liquidity and pacing should be assessed across the portfolio as a whole. As the asset class evolves, the objective is not simply to increase exposure to infrastructure, but to construct an integrated portfolio that reflects an investor's specific objectives, constraints and existing exposures.

The illustrative portfolios that follow demonstrate how different combinations of infrastructure strategies can be used to emphasize income, diversification or growth, recognizing that there is no one-size-fits-all portfolio.



Income-oriented infrastructure portfolio⁵

Potentially appropriate for institutional investors seeking income with lower credit risk, or quicker capital deployment and earlier distribution of returns than with traditional private equity funds.



How to fund

Infrastructure can generate stable income and tends to hold up well during economic downturns. For that reason, this can be funded from income-generating areas that are economically sensitive, such as high-yield bonds, private credit, or even value equities, which offer similar yield but tend to be more volatile.

Composition

The bulk of the portfolio is invested in core infrastructure, plus infrastructure debt for attractive income. Stabilized renewables are operating renewable energy assets with steady cash flows that deliver income early on but also have some growth upside that is characteristic of value-add strategies. These could be accessed via direct or co-investments to get direct exposure to cash-flowing assets.

Features

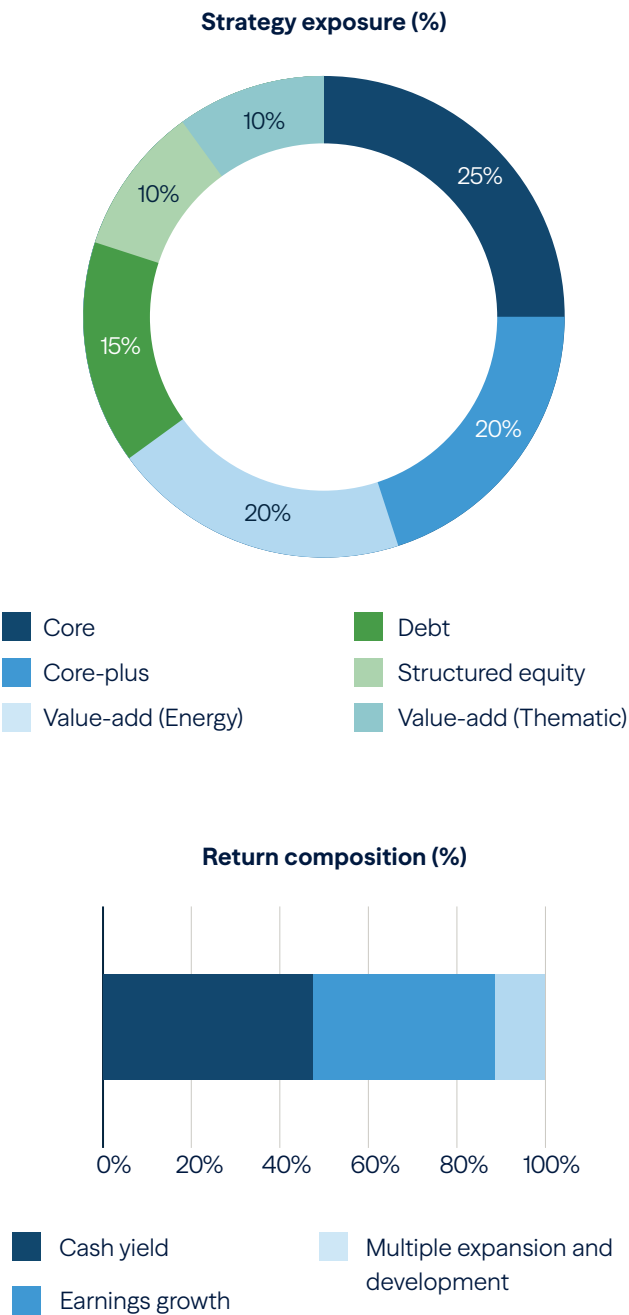
An income-oriented infrastructure portfolio provides attractive potential yields with total return potential. The portfolio would likely better withstand rising inflation than broad fixed income. It also entails less credit risk than similarly rated corporate debt, as infrastructure debt has historically had fewer defaults and higher recovery rates than broad public and private credit. In addition, the portfolio offers diversification and lower correlation to public bonds.

Performance

Target net IRR	Target net asset cash yield	Target distribution yield
9.0%	5.6%	5.2%

Diversified infrastructure portfolio⁵

Potentially appropriate for institutional investors deploying large amounts of capital into infrastructure and requiring flexibility in their mandate.



How to fund

A diversified infrastructure portfolio offers a balance between growth and income as it comprises debt, equity and structured equity strategies. Funding can thus be sourced from public or private equity, or from credit.

Composition

The portfolio is anchored in core and core-plus strategies. Value-add strategies provide the growth potential, with assets focused on AI infrastructure—like data centers and compute infrastructure—and utility assets that can benefit from grid modernization. Infrastructure debt and structured equity strategies are brought in to balance the equity strategies via additional income and a different part of the capital structure.

Features

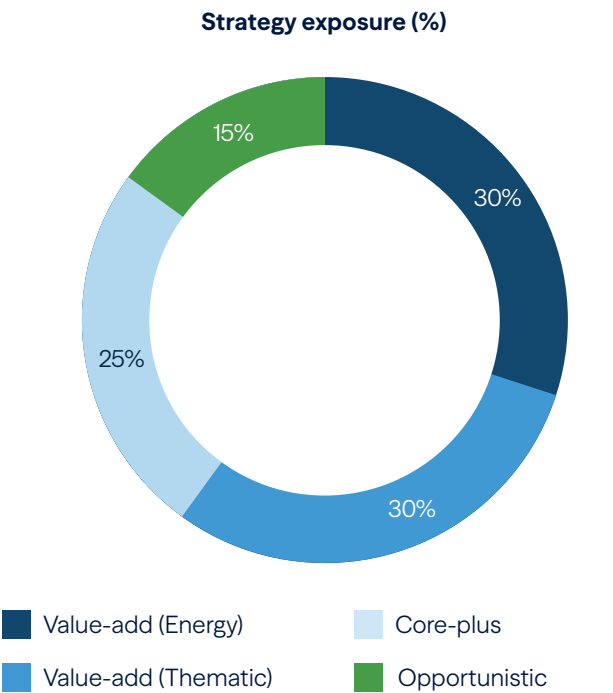
This portfolio offers attractive absolute and risk-adjusted potential returns alongside infrastructure’s traditional portfolio benefits of low correlation, inflation protection and less downside risk. The portfolio’s return drivers are diversified, delivering a balance of cash yield and capital appreciation. The portfolio can be considered all weather, as the strategy and asset mix can potentially complement each other in periods of growth or offset each other in periods of weakness. The portfolio’s diversified nature can help meet liquidity and distribution needs over time.

Performance

Target net IRR	Target net asset cash yield	Target distribution yield
10.5%	3.8%	2.5%

Growth-oriented infrastructure portfolio⁵

Potentially appropriate for institutional investors with long-term liabilities, higher risk tolerance and less frequent liquidity needs.



How to fund

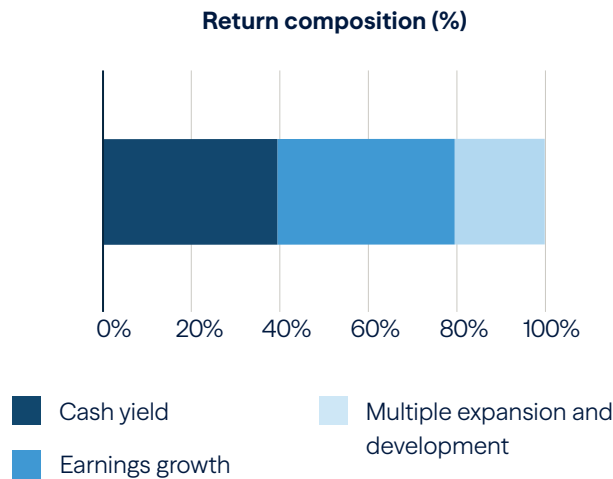
Infrastructure growth is sourced through value-add or opportunistic strategies, where IRRs have historically ranged from the low to high teens. This portfolio can be funded from similar growth asset classes, such as public equities, or from private sources, such as private equity.

Composition

The portfolio is anchored in value-add strategies. The energy slice includes platforms that expand and transform the energy system (including renewable power and battery storage), with value creation driven by development, operational improvement, contracting and capital growth. The thematic slice includes equity strategies focused on thematic exposures that are predicted to deliver growth for decades to come —such as the energy transition or artificial intelligence. The opportunistic slice focuses on projects in developing economies, where rapid power demand growth, capital constraints and significant clean energy needs create attractive opportunities to build and scale energy infrastructure.

Features

A growth-oriented infrastructure portfolio is less exposed to market sentiment or economic cycles compared with public equities. That’s because assets are lower risk and value is created through operational improvement and expansion. This is also observed through lower levels of volatility and modest correlation to public equities. Additionally, while an infrastructure growth portfolio may not produce the same level of returns as private and public equities, drawdowns tend to be much smaller. Growth takes time, so investors will need to accept capital calls and longer deployment schedules. Returns are typically distributed later in the life of the fund so flexibility around redeployment is limited. Most of a portfolio of this type would typically be invested in closed-end structures that can range from 10-12 years, with potential extensions.



Performance

Target net IRR	Target net asset cash yield	Target distribution yield
13.0%	2.5%	0.0%

Endnotes

1. McKinsey, The infrastructure moment, September 2025 (<https://www.mckinsey.com/industries/infrastructure/our-insights/the-infrastructure-moment>)
2. Past performance is no guarantee of future results.
3. <https://ppp.worldbank.org/sites/default/files/2025-06/infrastructure-monitor-2024-report.pdf>
4. The return characteristics described are for illustrative and informational purposes only. There is no guarantee that any investment or investment allocation will achieve the return metrics or characteristics described herein.
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