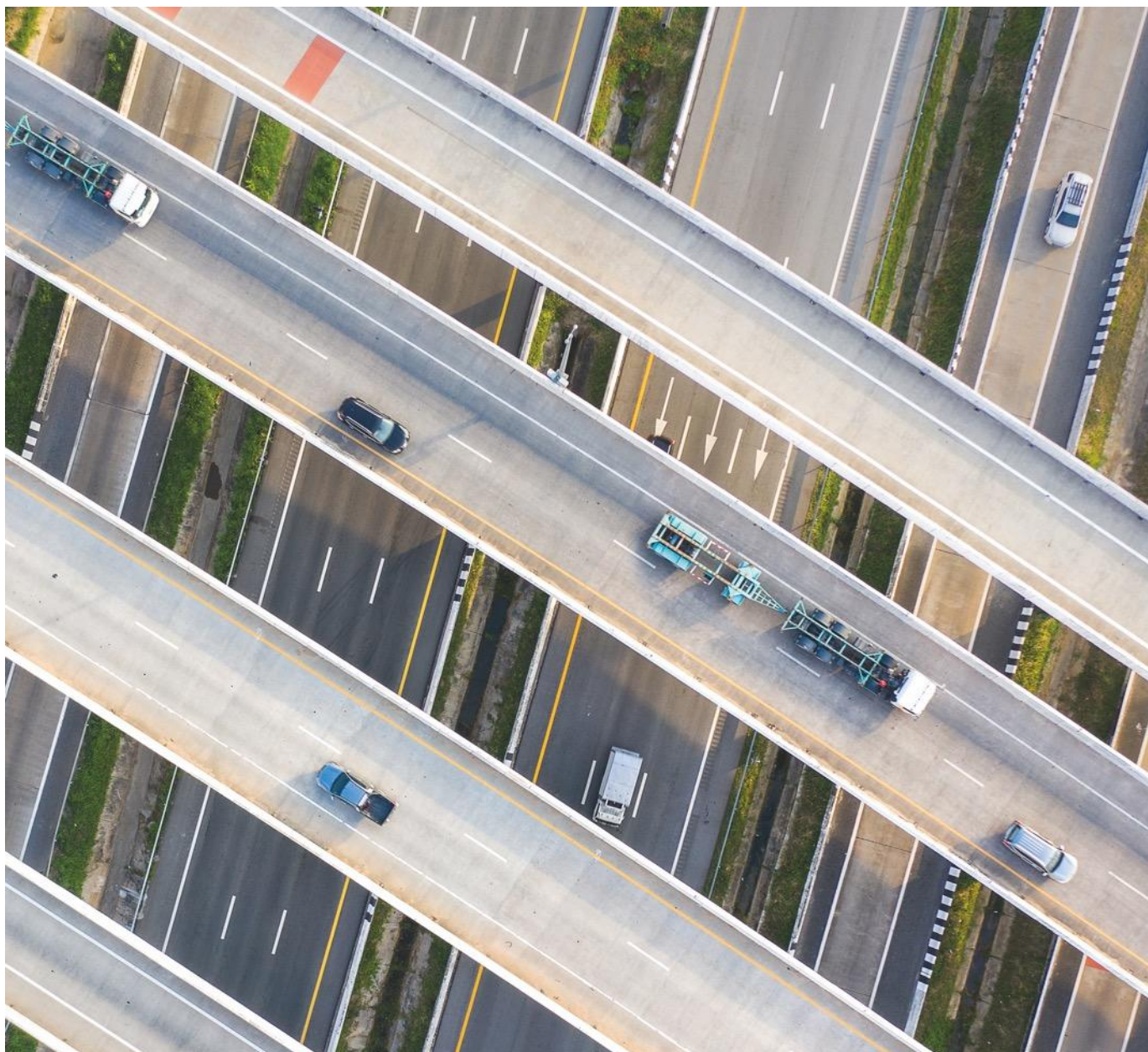


Infrastructure is the backbone of modern economies. From roads and bridges that allow movement of people and goods to digital networks that enable global connectivity, to energy systems that enable a low-carbon future, infrastructure underpins almost every aspect of economic activity.

For investors, private infrastructure equity is a compelling proposition offering the potential for resilient inflation-linked returns and exposure to structural growth themes playing out over the coming decades.

This paper outlines the case for private infrastructure equity as a strategic allocation in investor portfolios. We argue that a multi-manager approach spanning primaries, secondaries, and co-investments can offer investors the most effective route to capturing value in this expanding asset class.



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Part 1

The infrastructure opportunity

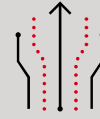


Infrastructure assets are the essential physical and organisational structures that enable economic and societal wellbeing. Traditionally, infrastructure has encompassed transport networks, utilities, and social infrastructure.

In recent years, the definition has expanded to include digital and energy transition infrastructure.

Increasingly, many of these infrastructure themes are interrelated and interdependent. For example, the buildout of a data centre must consider digital connectivity, access to an electricity grid connection, and, often, water infrastructure for cooling.

An investment approach that targets the full range of infrastructure themes can benefit from the synergistic impacts of these interdependencies.



Communications

- ◆ Mobile & broadcasting towers
- ◆ Data centres
- ◆ Optical fibre
- ◆ Satellites



Transportation

- ◆ Airports
- ◆ Ports
- ◆ Toll roads
- ◆ Rail
- ◆ Logistics



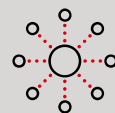
Social infrastructure

- ◆ Education facilities
- ◆ Healthcare facilities



Energy infrastructure

- ◆ Oil and gas transport and storage
- ◆ Hydrogen and carbon capture
- ◆ Midstream
- ◆ Battery storage



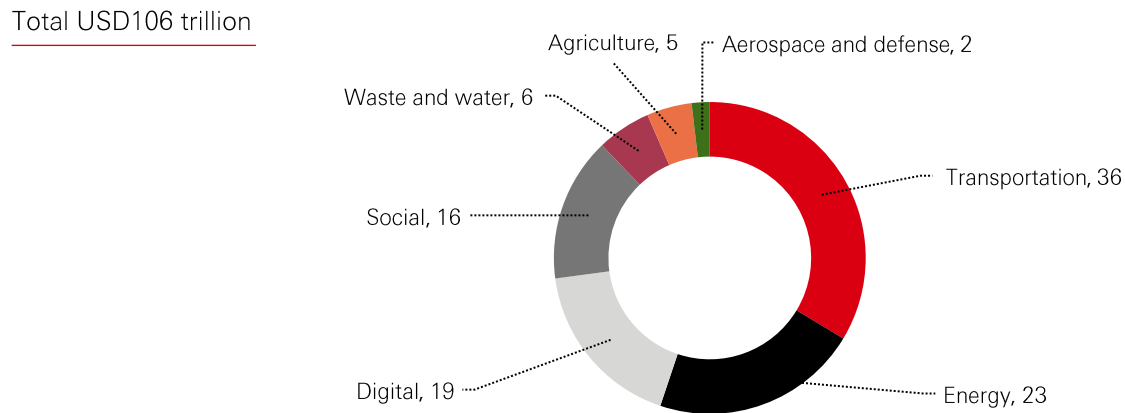
Utilities

- ◆ Transmission and distribution
- ◆ Renewable power generation
- ◆ Conventional power generation
- ◆ Water & waste
- ◆ District heating

The magnitude of the infrastructure investment gap is striking. Global infrastructure construction activity was USD3.6 trillion in 2025 and is forecast to reach USD4.3 trillion by 2030¹. However, these spending levels fall well short of what the world requires.

McKinsey estimates that cumulative global infrastructure investment needs will reach USD106 trillion by 2040, spanning energy, transport, telecommunications, and water systems².

Figure 1: Total infrastructure investment projected through 2040, by sector (USD trillions)



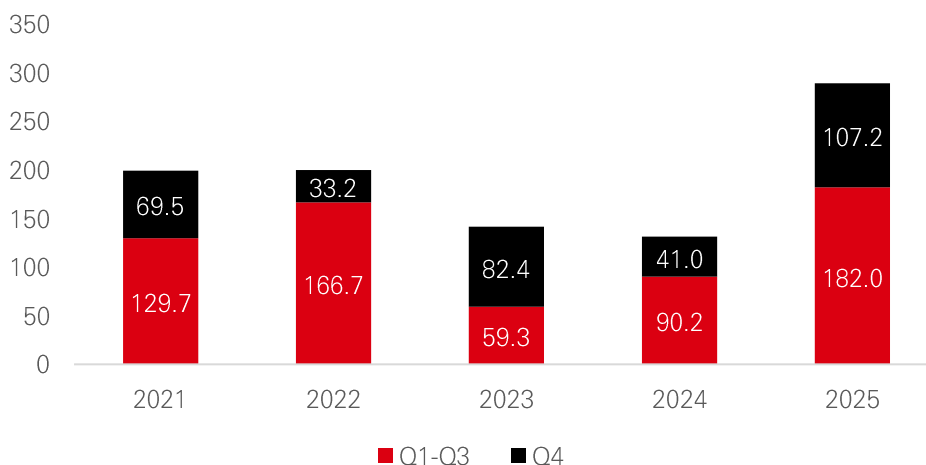
Source: 'The Infrastructure Moment', McKinsey (2025). Note: Figures do not sum due to rounding.

The Global Infrastructure Hub estimates that emerging markets alone require USD43 trillion in infrastructure investment over the next 25 years to support economic development and urbanisation³. Developed markets require a further USD21 trillion to address deferred maintenance, replace ageing assets, and build new capacity⁴.

Simultaneously, the energy transition, rapid digitalisation of the economy, and shifts in global supply chains are altering the composition and scale of infrastructure demand.

Private capital is playing an increasingly important role in bridging this gap. Private infrastructure equity fundraising grew at a 9% compound annual growth rate from 2020 to 2025, significantly outpacing other private markets asset classes. In 2025, there was a record amount of infrastructure capital raised, with over 58% of year-on-year growth, making it the strongest growing segment across all private markets asset classes⁵.

Figure 2: Private infrastructure capital raised in 2025 (USD billion)



Source: HSBC AM Alternatives as of Jan 2026. Pitchbook and LCD as of December 2025.

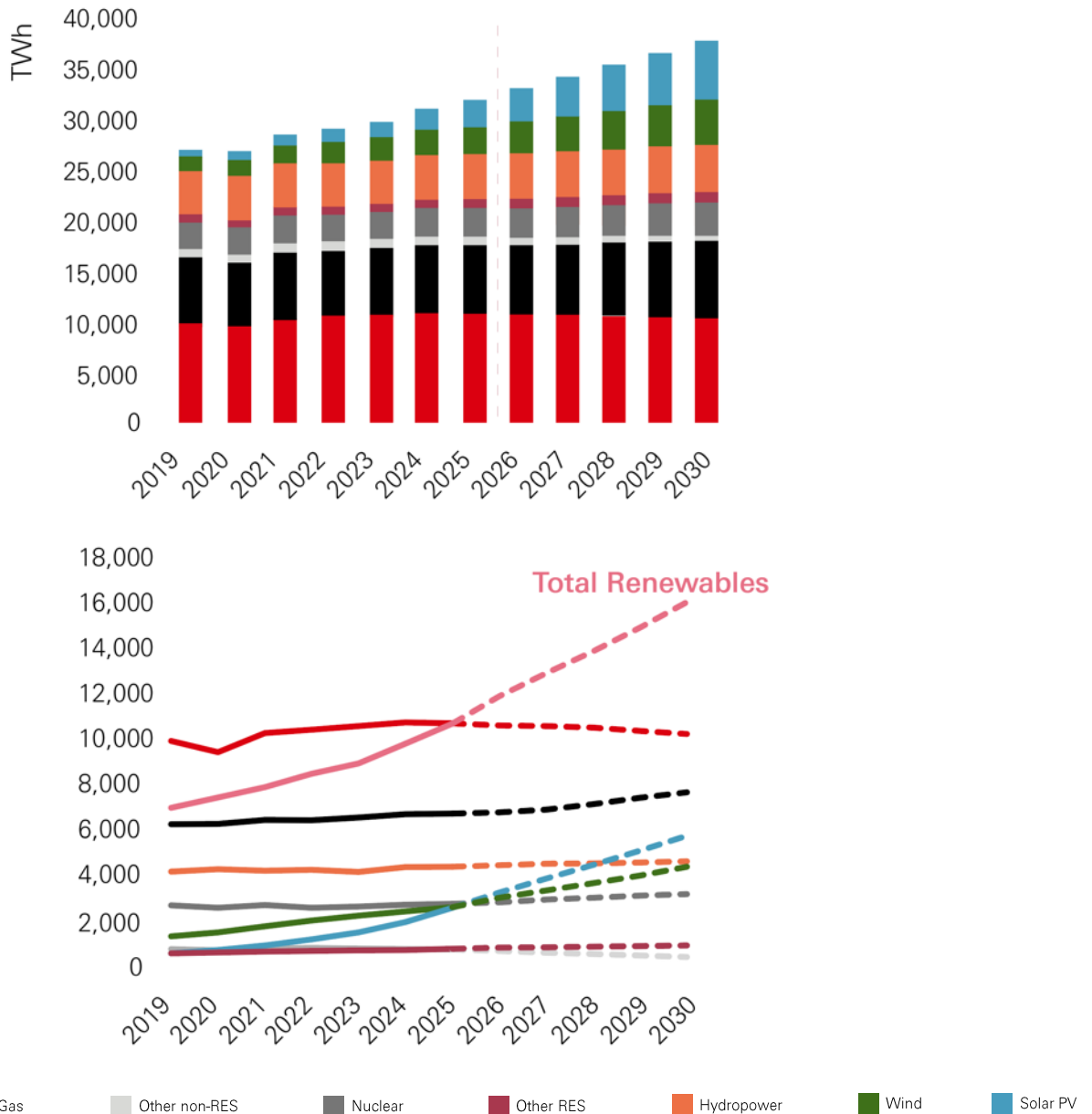
¹ 'Infrastructure Construction Global Market Report 2026', The Business Research Company (2026)
² 'The infrastructure moment', McKinsey (2025) (leveraging various data sources)
³ 'Emerging markets: Bridging the \$43 trillion infrastructure gap', Aberdeen Investments (2025)
⁴ 'How large are global infrastructure needs?', Aberdeen Investments (2025)
⁵ 'Infrastructure: Investing to support global growth', McKinsey (2026)

Energy transition

The International Energy Agency (IEA) reports that total clean energy investment (in renewables, nuclear, grids, storage, low emission fuels, efficiency, and electrification) in 2025 was approximately twice the amount directed to fossil fuels⁶.

Low-emissions energy sources – renewables, led by solar, and nuclear – will see their share in global electricity generation rise to 50% through 2030, up from 42% in 2025, according to IEA forecasts. Strong growth in renewables and a steady rise in both nuclear and gas output in many regions is expected to displace global coal-fired generation⁷.

Figure 3: Global electricity generation by source (2019-2030)



Notes: RES = renewable energy sources. 'Other non-RES' includes oil, waste and other non-renewable sources. 'Other RES' includes geothermal, bioenergy, concentrated solar power (CSP), and ocean energy. Data for 2026-2030 are forecast values.

Source: 'Electricity 2026: Analysis and forecast to 2030', IEA (2026).

⁶ 'World energy investment 2025', IEA (2025)
⁷ 'Electricity 2026: Analysis and forecast to 2030', IEA (2026)

Decarbonisation of the global energy system could represent the single largest infrastructure investment cycle in history. Global energy transition investment reached a record USD2.3 trillion in 2025, up 8% from 2024⁸.

The largest categories of spending were:

- ◆ **Electrified transport:** USD893 billion
- ◆ **Renewable energy generation:** : USD690 billion
- ◆ **Grid infrastructure:** USD483 billion

Critically, current investment levels remain well below that required to meet net zero targets. BloombergNEF estimates that annual energy transition investment would need to average USD5.6 trillion per year to 2030 to align with a pathway consistent with the Paris Agreement⁸.

This gap creates a multi-decade investment opportunity across renewable generation, grid modernisation, battery storage, hydrogen infrastructure, and electric vehicle charging networks.

Many infrastructure funds are contributing substantial investments to develop wind and solar generation assets, since these sources of power have become significantly more efficient, and accordingly cheaper, over the past decade. The disruption to power markets caused by the war in Ukraine and recent conflict in the Middle East has added to the strategic case for investing in local sources of alternative energy.

The Trump Administration's Big Beautiful Bill Act, together with tariff policy, may result in disruption to the US power investment market, but there remain significant potential energy transition investment opportunities in both North America and Europe.

For private infrastructure investors, the energy transition offers a rich pipeline of greenfield development opportunities and brownfield assets requiring expansion or repowering.

Three key areas of investment opportunity in the energy transition are:



Electricity decarbonisation

is supported by investments in solar, wind, battery storage and distributable generation



Electrification of mobility

is expanding across public transport and logistics vehicles, providing opportunities in charging infrastructure and fleet leasing



Circular economy

development offers an investment opportunity through building infrastructure for waste collection, recycling and distribution

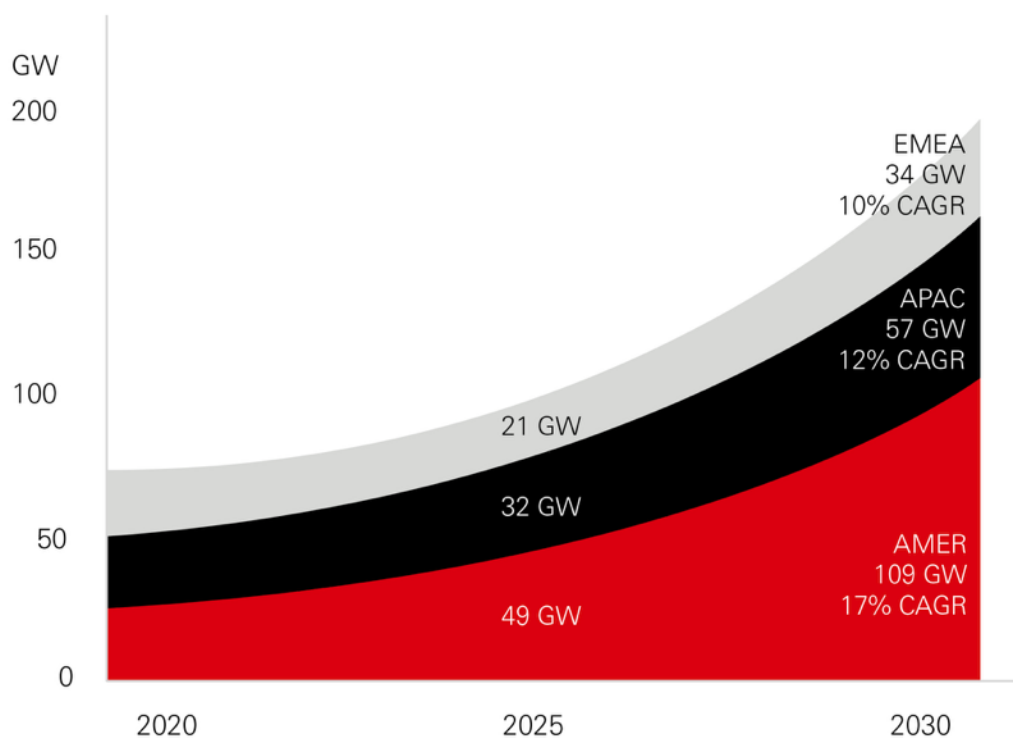
Digitalisation and data infrastructure

The explosion of artificial intelligence (AI), cloud computing, and data-intensive applications is driving potentially unprecedented demand for digital infrastructure. Global demand for digital infrastructure assets, such as cell towers, fibre optic cables and data centres, is driven by proliferation of data-intensive devices, the expansion of the 'Internet of Things', and online content creation and distribution.

AI model training and inference have become a major driver of the surging investments in data centres⁹. In 2025, Amazon, Google, Meta, and Microsoft collectively planned more than USD400 billion in capital expenditure, much of it directed towards expanding data centre capacity.

BloombergNEF estimates that data centre investment reached approximately half a trillion dollars in 2025, placing it ahead of total investment in solar energy by value⁶. Looking ahead, nearly 100 gigawatts of new data centres are expected to be added between 2026 and 2030, doubling global capacity¹⁰.

Figure 4: Global data centre supply forecast by region (GW)



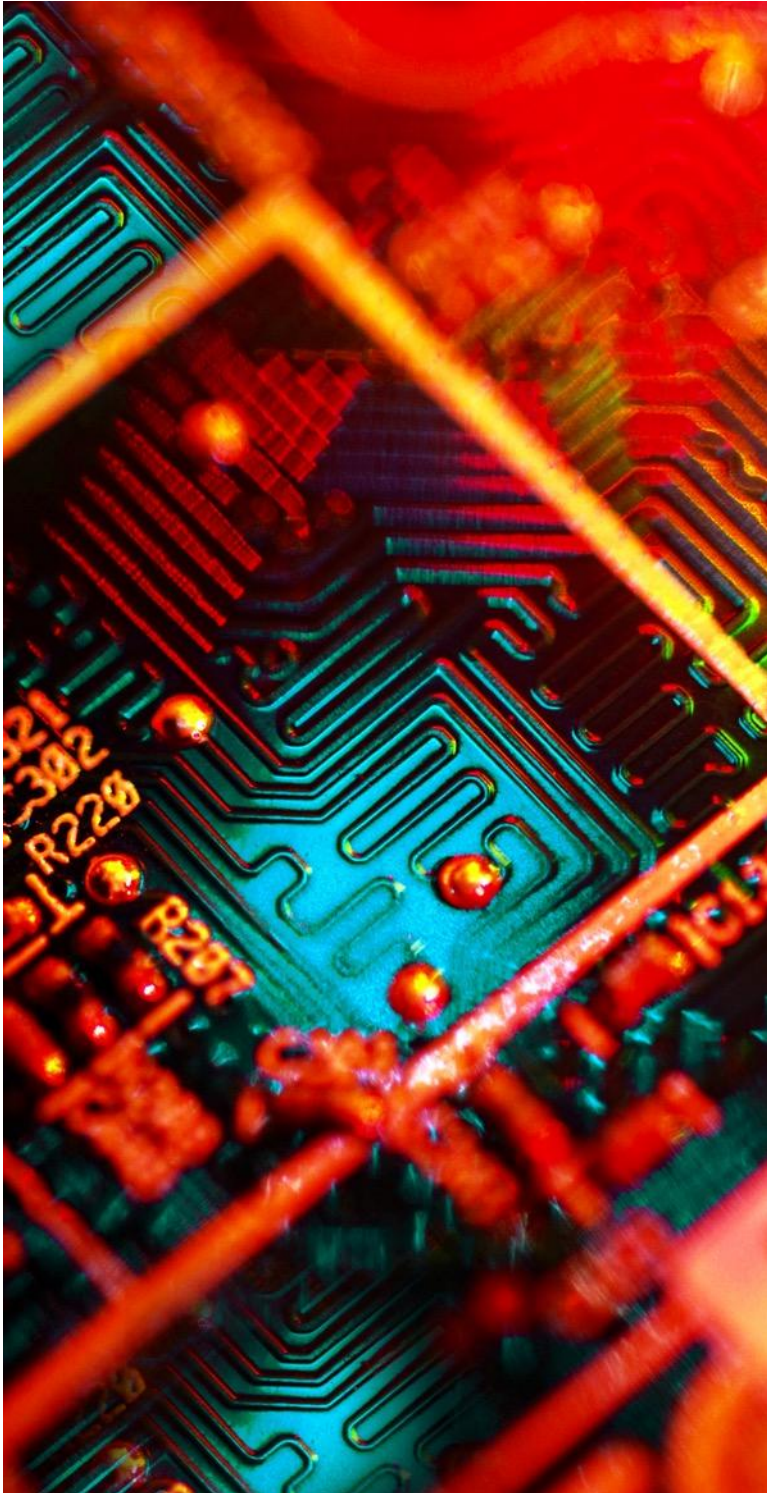
Source: '2026 Global Data Center Outlook', JLL (2026)

⁹ 'Beyond the grid: Expanding the investment universe in global infrastructure', BNY Mellon (2026)

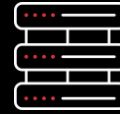
¹⁰ '2026 Global Data Center Outlook', JLL (2026)

This creates opportunities across the full digital infrastructure value chain, including hyperscale and edge data centres, fibre-optic networks, telecommunications towers, sub-sea cables, and the power generation and grid infrastructure required to supply these facilities.

The intersection of digitalisation and energy transition is particularly noteworthy. Data centres are emerging as one of the primary drivers of electricity demand growth, linking digital infrastructure investment directly to power generation and grid modernisation.



Three key areas of investment opportunity in the digitalisation and data infrastructure sectors are:



Data Centers address the growing need for more data storage and handling, accelerated by the growth of generative AI



Power demand has significantly increased in the US. Electricity demand is expected to rise c.2.4% p.a. through 2030



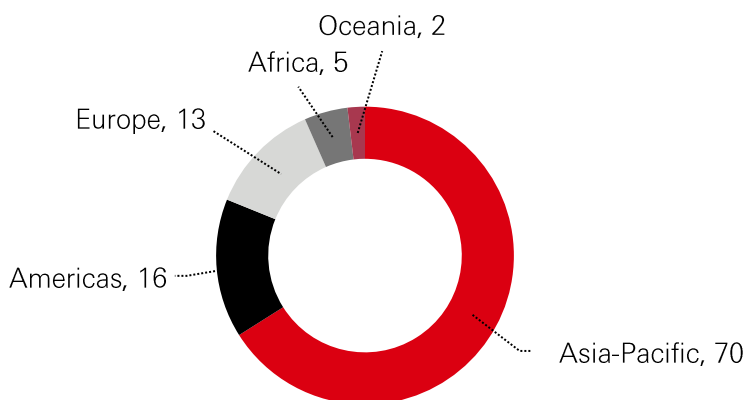
Telecommunication: Increasing cell tower capacity is expected to come from densification of existing assets and the penetration of 5G/6G technologies

Growth markets and deglobalisation

The Asia-Pacific region and Latin America economies are shaped by the same megatrends as the developed world. However, they are at an earlier stage of development and lag in roll-out and adoption of infrastructure. As such, emerging economies are attractive opportunity sets as they generally have rising incomes, expanding middle classes, and rapid urbanisation, which drive significant demand for transportation, energy, water, and digital connectivity.

Asia could receive two-thirds of the total infrastructure investment through 2040, as the chart below shows.

Figure 5: Total infrastructure investment projected through 2040, by region (USD trillion)



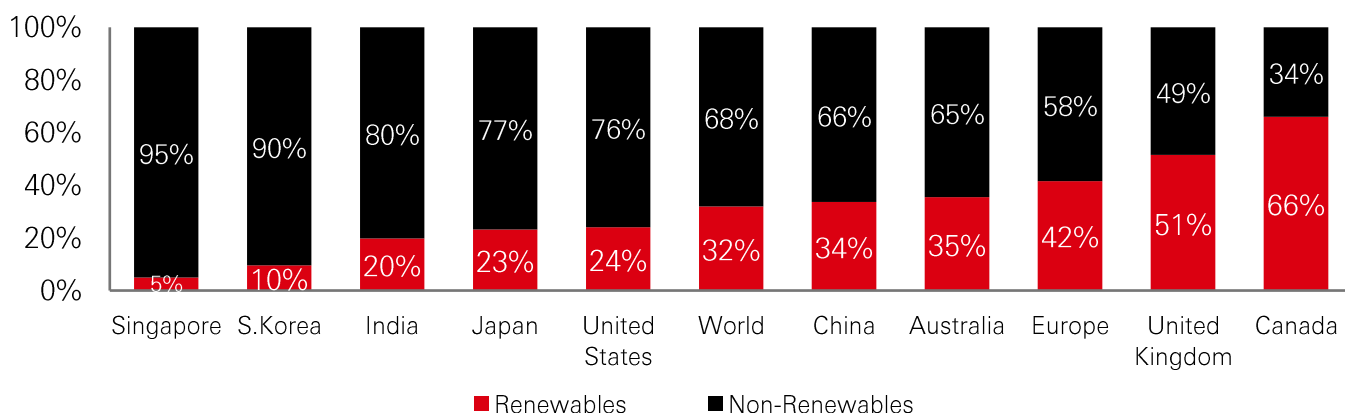
Source: Food and Agriculture Organization; Global Infrastructure Hub; International Energy Agency; International Monetary Fund; Organisation for Economic Co-operation and Development; Preqin; United Nations; World Bank; World Economic Forum; McKinsey (2025)

Given the large populations in these regions, particularly in Asia Pacific, the scale of greenfield construction, brownfield expansion, and renovation requirements is immense. This requirement concerns all infrastructure sectors, including the traditional transport sector.

Furthermore, to achieve a successful energy transition and achieve environmental goals, these countries must replace a substantial amount of coal used for electricity generation with renewable energy. Renewables generation investment in the Asia Pacific region is expected to double to USD1.3 trillion by 2030¹¹.

The chart below shows that the energy transition in the Asia Pacific region generally lags Europe, the UK, and other developed economies.

Figure 6: Percentage share of electricity generation



Source: Ember, Statistics Canada, US Energy Information Administration (EIA), 2025; 1)

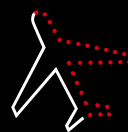
¹¹ 'Opportunities abound in Asia Pacific's transforming power markets', Wood Mackenzie (2024) (Data refers to wind and solar).

Another trend relevant to growth markets is the reshoring of global supply chains, driven by geopolitical tensions, trade policy shifts, and a desire for greater supply chain resilience. This trend is driving a new wave of infrastructure demand in emerging and developed markets.

Nearshoring manufacturing requires new industrial facilities, logistics hubs, power capacity, and transport links. This deglobalisation trend is structural, not cyclical, and forward-thinking infrastructure investors can benefit from future required capital expenditure.



Three key areas of investment opportunity in infrastructure growth markets are:



Transportation is a traditional infrastructure sector but the density of the transportation networks (for passengers & goods) is still low in many growth markets.



Healthcare services are becoming increasingly important and available to a fast-growing middle class and the overall ageing population.



Digital infrastructure & energy transition are megatrends in growth markets as well – with even more people to connect and more transition left to do.

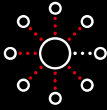



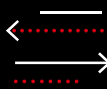

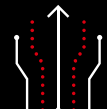
Part 2

Allocating to infrastructure



Private infrastructure equity assets have several distinguishing characteristics rarely found in other asset classes that can potentially provide notable benefits to investors.

Figure 7: Key characteristics of private infrastructure equity

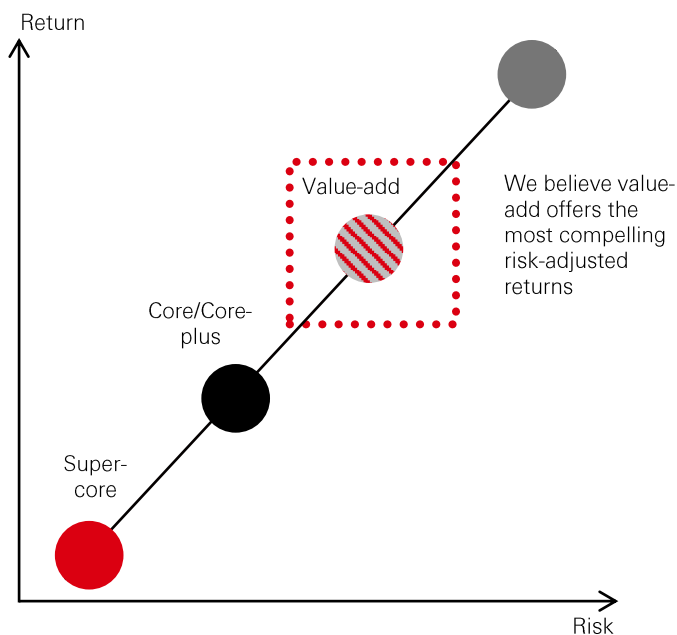
	Essential services	▶	Dominant market position
	High barriers to entry	▶	Low competition
	Regulated or contracted revenue streams	▶	Stable, predictable, and attractive cashflows
	Long asset lives	▶	Long duration
	Low correlation to broader economic cycles	▶	Natural hedge and portfolio diversifier
	Natural linkage to price rises	▶	Inflation protection
	Aligned to structural themes	▶	Long-term growth potential

Source: HSBC Asset Management (2026)

Given the multiple benefits outlined above, how can investors access this asset class?

Private infrastructure equity investing spans a broad risk-return spectrum, from core strategies targeting stable, income-generating assets, through to opportunistic strategies, focusing on development, construction, or turnaround situations.

Figure 8: Risk/return profiles in private infrastructure equity



Source: HSBC Asset Management (2026)

Figure 9: Key characteristics of infrastructure strategies

Strategy	Target Net IRR	Risk profile	Cashflows	Characteristics	Example assets
Super-core	6–9%	Conservative risk profile	Stable cash flows and low risk	Contracted/regulated revenues/low leverage	Regulated utilities; Toll roads
Core/Core-plus	9–13%	Low to moderate risk profile	Mostly predictable cash flows	Profitability through small improvements and organic or M&A growth; Modest leverage	Existing renewables with merchant exposure; Fibre networks
Value-add	13–16%	Moderate to high risk profile	Initial phase with low/no cash flow, but potential for high and stable cashflows	Operational improvement, expansion, and/or repositioning	Brownfield assets requiring capex; Platform buildouts. Greenfield renewables.
Opportunistic	16%+	High risk profile	Usually no predictable cash flows in initial stages	Complex projects with largest upside potential; Asset development from scratch; Considerable experience and expertise required	Hydrogen production, carbon capture and storage Emerging market infra; Distressed assets

Source: HSBC Asset Management (2026)

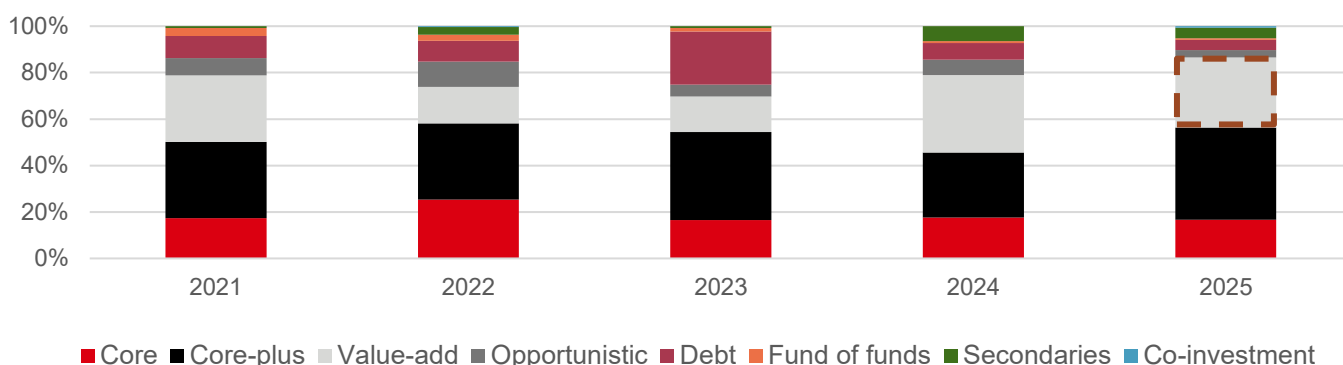
At HSBC Asset Management, we believe value-add infrastructure is the most attractive part of this spectrum. Value-add infrastructure combines downside protection and the essential service characteristics of infrastructure with meaningful return enhancement through operational improvement, capital expenditure expansion, and regulatory positioning.

Value-add also sits at the intersection of structural megatrends, including energy transition, digitalisation, and transport decarbonisation. These assets require active management to unlock value, giving skilled managers a wide opportunity set.

The best value-add managers consistently deliver strong returns, approaching those of private equity, by building high-growth businesses which, once developed, have long-term robust cash flows. These businesses can then be exited to core-plus infrastructure managers, as well as industrial sponsors and other institutional investors.

These benefits may help explain why value-add funds raised a significant amount of capital among infrastructure funds in 2024 and 2025.

Figure 10: Capital raised by strategy focus (%)

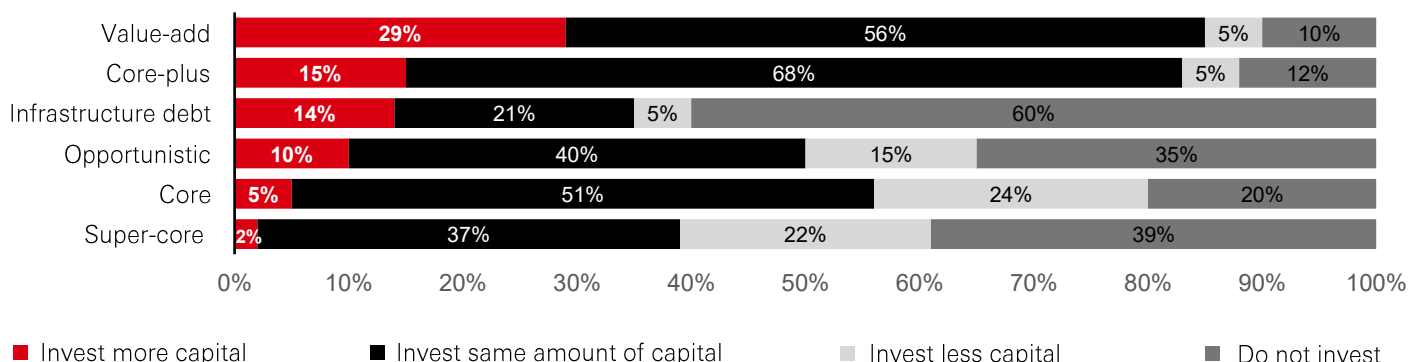


Source: Infrastructure Investor Perspectives (2025). Value-add infrastructure in 2025 is highlighted.

Appetite for value-add strategies continues to grow going into 2026, with almost a third of investors intending to increase investments. Higher demand can be partly attributed to the prospect of a higher interest rate environment, which makes the long-duration, growth-oriented cash flows associated with value-add infrastructure more attractive on a risk-adjusted basis.

Investors also have existing sizeable exposure to core and core-plus infrastructure and are looking to diversify.

Figure 11: Investors' strategic infrastructure investment appetite in 2026



Source: Infrastructure Investor's LP Perspectives (2026)

While the strategic case for private infrastructure equity is clear, there is a practical implementation challenge for investors in accessing opportunities efficiently.

Private infrastructure markets are complex, fragmented, and characterised by information asymmetry. Deal flow is relationship-driven, valuations require deep sector expertise, and there is significant dispersion in manager performance.

In this environment, a multi-manager approach deployed across primaries, secondaries, and co-investments offers several distinct advantages:

Figure 12: Benefits of a multi-manager approach

	Diversification	A multi-manager programme provides exposure to multiple managers, geographies, sectors and strategies, reducing concentration risk and smoothing return profiles relative to a single-fund commitment.
	Access and sourcing	A multi-manager platform with established manager relationships can secure allocations to proprietary co-investment deal flow that individual investors may struggle to access directly.
	J-curve mitigation	Secondary investments, and late stage primaries, offer immediate exposure to mature, cash-yielding assets often acquired at a discount to net asset value. A multi-manager program that combines primaries with secondaries can reduce the J-curve effect and accelerate the path to positive returns.
	Co-investment alpha potential	Co-investments alongside selected managers provide direct asset-level exposure, typically at reduced or zero management and performance fees, potentially enhancing net returns to investors. Co-investments also allow the multi-manager to increase conviction in the highest-quality assets.
	Dynamic portfolio construction	A multi-manager can adjust the blend of primaries, secondaries and co-investments over time to adjust to market conditions, pricing dynamics and the relative attractiveness of different segments, sectors and geographies.

Source: HSBC Asset Management (2026)

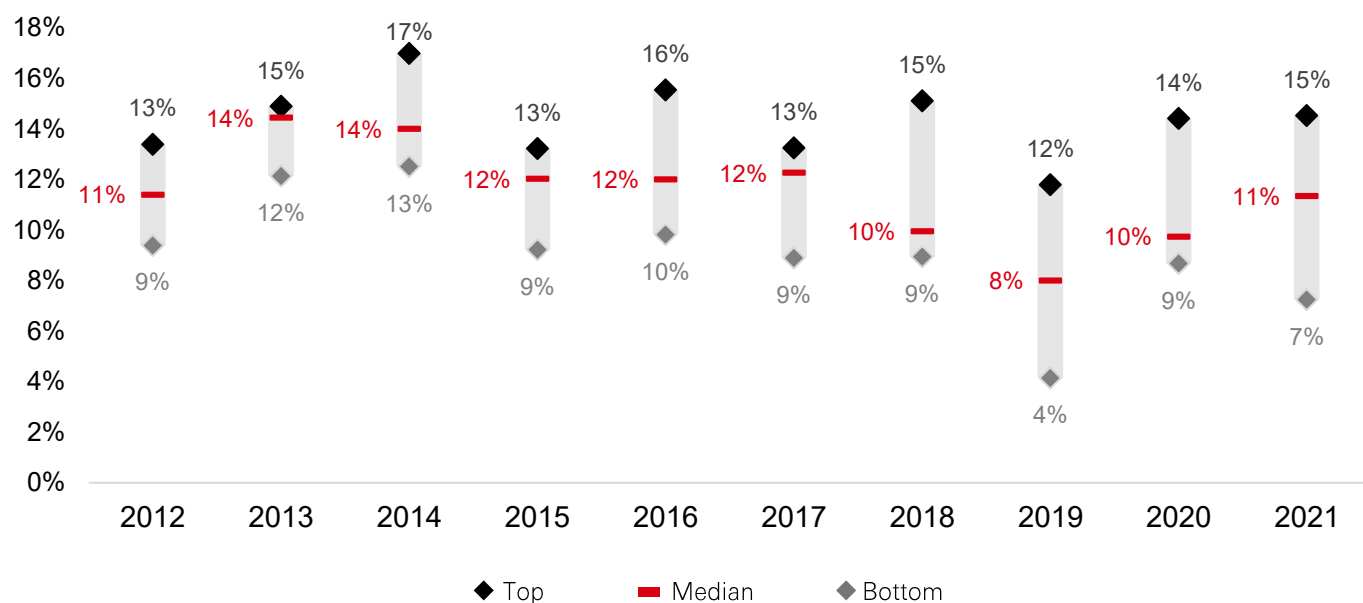
Amid rising asset prices, lengthening holding periods, and more competitive auction processes, the ability to identify managers with genuine operational value-creation capabilities is paramount.

In private infrastructure (as in all private markets), manager selection is a fundamental determinant of investor outcomes. Performance dispersion between top- and bottom-quartile managers is substantially wider in private markets than in public equities, where returns tend to cluster around index performance¹².

In infrastructure, this dispersion is apparent, with the chart below showing top-, median, and bottom-quartile net performance across eleven annual vintages of private infrastructure equity funds (including core, core plus and value add funds).

For the 2018 to 2021 fund vintages, the average reported top-quartile IRR^{13,14} was 14% and the average bottom-quartile IRR was 7.25%, a difference of nearly half the top-quartile performance.

Figure 13: Infrastructure *returns shown are the average for infrastructure funds in the market



For illustrative purposes only. There is no guarantee that the trend illustrated by the chart above will continue. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way, HSBC AM Alternatives accepts no liability for any failure to meet such forecast, projection, or target¹. Past performance does not predict future returns.

Source: PitchBook Benchmarking, as of 27 October 2025.

A robust multi-manager approach addresses the challenge of performance dispersion by conducting deep due diligence across a broad universe of managers, evaluating track records net of fees, assessing operational capabilities, alignment of interest, and maintaining ongoing monitoring of the managers.

A skilled multi-manager platform has the potential to access systematically the upper quartile of infrastructure performance, while avoiding the long tail of underperformance, which can significantly impair overall portfolio returns.

12 Asset manager selection guide: Performance dispersion analysis¹, NASDAQ eVestment (2025)
 13 IRR, or 'Internal Rate of Return' indicates the annualised rate of return a project or investment is expected to generate. A higher IRR signals a more attractive investment
 14 IRR as of 27 October 2025.

Part 3

HSBC AM's infrastructure proposition



Our approach to building value-add infrastructure portfolios is to allocate 60%+ to primaries and up to 40% to select secondaries and co-investments.

We invest in a mixture of multi-sector and thematic funds, where investors can benefit from a range of megatrends including energy transition and digitalisation.

We add geographical diversification and the potential for higher returns through allocation to growth markets.

With this high-conviction investment approach, we have demonstrated the potential ability to reach the high end of the expected return range of 13-16% for value-add infrastructure¹⁵.

Case studies

Below are three investments that have been completed by the managers in our Infrastructure portfolio. These examples illustrate investments across the thematics explored earlier.



Southeast Asian cold storage platform

This is a leading cold chain operator in the Philippines, providing a full suite of cold storage and value-added services across five facilities. There are strong macro tailwinds for cold storage in the region, including rapid urbanisation, economic growth, and a rising middle class.

Food and beverage consumption in the Philippines is expected to rise 51% over 2024-2029 . Demand is outpacing cold storage infrastructure supply, contributing to significant food wastage and farmer value loss.

The market is highly fragmented, enabling a platform strategy: expand via greenfield developments and consolidate through targeted bolt-on acquisitions to triple existing capacity.

The company has grown capacity by four times in five years, established itself as a dominant distribution partner, and benefits from long-term, sticky customer relationships supported by integrated processing, built-to-suit storage, and distribution hub services.



US data centre platform

Our selected digital infrastructure manager has invested in a leading US data centre co-location, interconnection and services provider, with 42 facilities across 19 markets and significant capacity (mostly owned or under long leases).

The thesis is that accelerating AI adoption, cloud growth, and tight supply are driving strong demand and pricing for 'edge hyperscale' deployments that support latency-sensitive cloud and AI inference. The company's growth plan focuses on expanding in six core markets in the United States. In the 2025 financial year, the company's EBITDA grew by more than 13%.

This is an opportunity to invest at an attractive valuation and deferred investment schedule into a funded business plan for the next several years, and with the benefit of the manager's co-control governance of the company.

We believe the company will benefit from the manager's deep data centre experience and digital infrastructure expertise as well as continuity of leadership.



European low-carbon power infrastructure

An energy manager in which we invested has launched a new infrastructure platform focused on developing 'powered land' solutions for large-scale data centre sites across Europe. The platform aims to partner with local utilities to secure access to low-carbon power and design sites that integrate well with local communities.

The investment thesis is driven by rapid growth in European data centre demand (forecast to nearly triple power capacity over the next decade), supportive regulation and funding initiatives (including the EU's AI Continent Action Plan and InvestAI), and opportunities in emerging markets outside traditional hubs due to grid congestion.

Europe's relatively low-carbon grid is positioned as a key advantage for sustainable operations. A similar platform in the US in the energy manager's previous fund has so far delivered an outstanding multiple of money invested.

Infrastructure should no longer be perceived as a niche allocation; it is becoming an important asset class for investors – and for good reason. The asset class combines essential service resilience with inflation protection, and the potential for attractive risk-adjusted returns.

Structural megatrends, including the energy transition and digitalisation, are expanding the investable universe and creating a multi-decade demand cycle for new and upgraded infrastructure across developed and emerging markets. Given an estimated global infrastructure investment need of USD106 trillion by 2040,² the opportunity set is vast and enduring.

We believe value-add infrastructure is the most attractive part of the private infrastructure equity spectrum, combining downside protection and the essential services characteristics of infrastructure with meaningful return enhancement and exposure to these structural megatrends.

Capturing this opportunity requires more than a passive allocation. Infrastructure markets are complex, and manager selection is paramount with notable dispersion between top- and bottom-performing managers.

At HSBC Asset Management, we have a long and successful heritage in infrastructure investing. Our multi-manager infrastructure investment approach is comprised of high conviction, differentiated sourcing capabilities, stringent asset selection, and rigorous due diligence and monitoring. We believe blending primary fund commitments, secondary transactions and select co-investments offers the most efficient route to building a high-quality and diversified infrastructure portfolio.

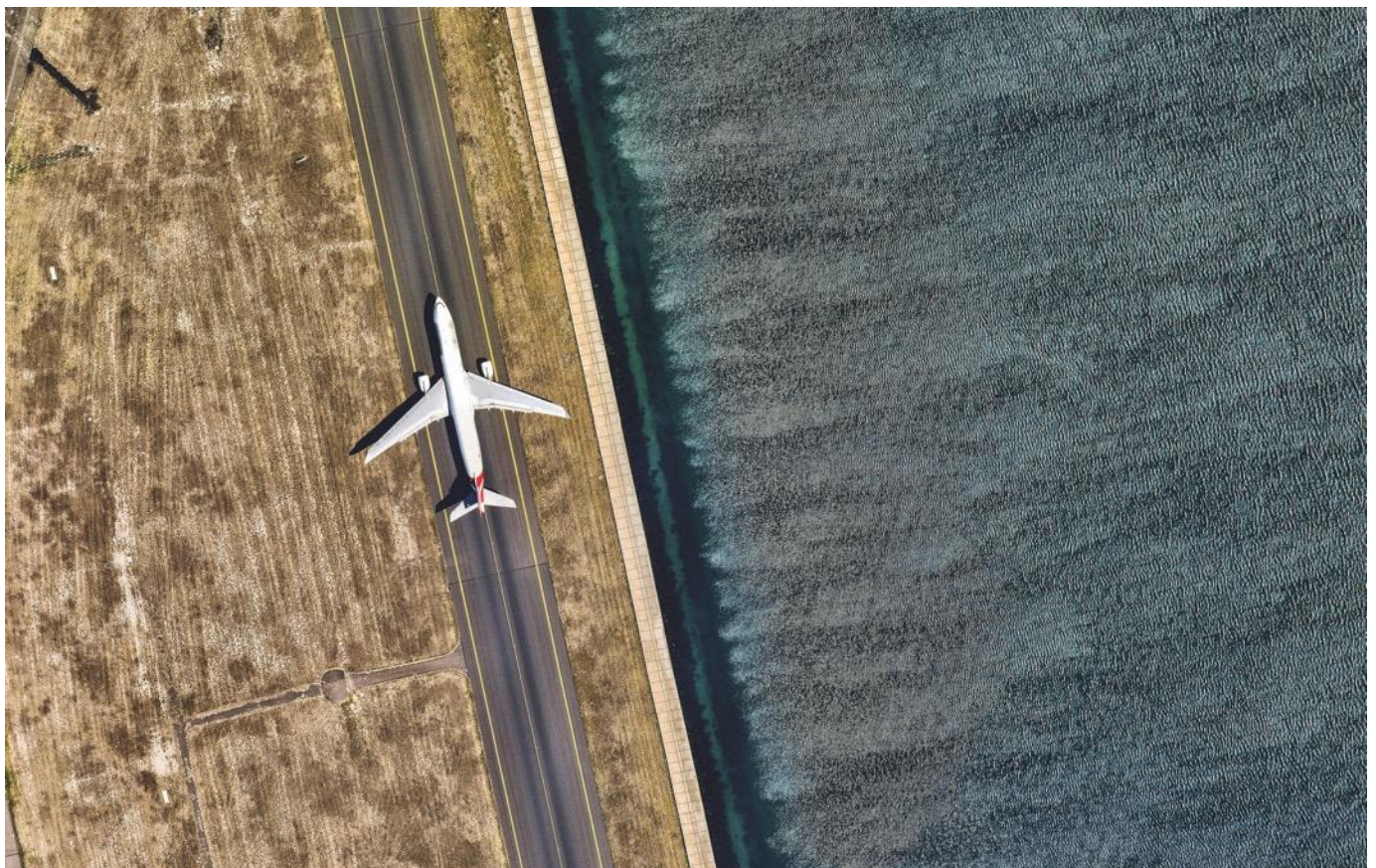
Authors

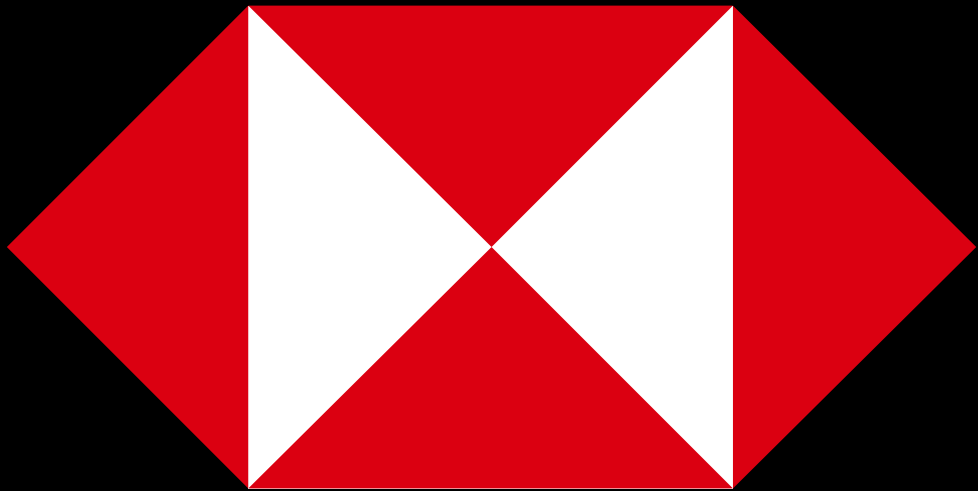
Glenn Fox, Head of Infrastructure, Private Markets

Alexander Raasch, Principal, Infrastructure, Private Markets

Bhaskar Sastry, Head of Alternatives Research

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Key risks

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- ◆ **Alternatives risk:** There are additional risks associated with specific alternative investments within the portfolios; these investments may be less readily reliable than others and it may therefore be difficult to sell in a timely manner at a reasonable price or to obtain reliable information about their value; there may also be greater potential for significant price movements.

- ◆ **Equity risk:** Portfolios that invest in securities listed on a stock exchange or market could be affected by general changes in the stock market. The value of investments can go down as well as up due to equity markets movements.

- ◆ **Interest rate risk:** As interest rates rise debt securities will fall in value. The value of debt is inversely proportional to interest rate movements.

- ◆ **Counterparty risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.

- ◆ **Derivatives risk:** Derivatives can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset.

- ◆ **Emerging markets risk:** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.

- ◆ **Exchange rate risk:** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

- ◆ **Investment leverage risk:** Investment leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source.

- ◆ **Liquidity risk:** Liquidity risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.

- ◆ **Operational risk:** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

- ◆ **Style risk:** Different investment styles typically go in and out of favour depending on market conditions and investor sentiment.

- ◆ **Model risk:** Model risk occurs when a financial model used in the portfolio management or valuation processes does not perform the tasks or capture the risks it was designed to. It is considered a subset of operational risk, as model risk mostly affects the portfolio that uses the model.

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