

## **Strategic focus on infrastructure and real estate**

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Direct Infrastructure has attracted significant attention over the past few years. AUM in private Infrastructure is well over \$1trn now. It grew at 16% per annum over the past decade and is expected to maintain a 13% to 15% annual growth over the next decade.

The asset class benefits from long term tailwinds. Whether it is decarbonisation and transition to net zero, whether it is deglobalisation and the relocation of supply chains, or whether it is digitalisation of our economies and the rise of AI, those secular trends continue to require infrastructure investments. By allocating to direct infrastructure, investors invest in often essential assets and benefit from long term stable cash flows, mostly inflation linked.

Returns in the asset class in 2024 were on par with expectations, with deal activity slightly lower than expected, as buyers and sellers are still trying to close a valuation gap created by the spike in interest rates a couple of years ago. We expect 2025 to be of similar vein, the long term trends supportive the asset class being stronger than ever.

On a separate note, after going through a significant adjustment with the sudden rise in interest rates, Real estate is an asset class to watch in 2025. Certain pockets of Real Estate continue to experience significant undersupply, such as residential in the US. Yet, because of the stress created on capital structures by the sudden rise in interest rates in 2022, quality assets can be purchased at significant discounts from stressed sellers. Managers with ample funding available and the expertise on the ground to manage real estate assets should be able to monetise those opportunities in what is today a much more benign environment for real estate.