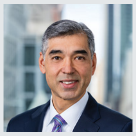
PRIVATE CREDIT

Infrastructure Debt: A Strategic Anchor in a Shifting Landscape

CONVERSATIONS

Infrastructure debt is evolving into a cornerstone of institutional portfolios. Barings explores how macro trends, financing shifts, and investor innovation are reshaping the market and unlocking long-term value.



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This piece was adapted from a recent Streaming Income podcast.

How does Barings define infrastructure, and why is a disciplined approach essential?

Infrastructure is a term that's often used loosely to describe a diverse group of asset classes ranging from power plants to data centers. At Barings, we apply a disciplined framework to ensure clarity and consistency in our investment strategy. We categorize infrastructure into six sub-sectors:

ECONOMIC INFRASTRUCTURE

Transportation-related strategic assets such as toll roads, seaports, airports, railroad rolling stock

UTILITIES AND PIPELINES

Regulated or unregulated distribution and transmission assets, which typically carry water, sewage, electricity, natural gas, and other fuels

POWER GENERATION

Renewable energy generation assets (solar, wind or hydro), batteries, and electric vehicles (EVs)

SOCIAL INFRASTRUCTURE

Government-sponsored public-private partnerships and social housing, and development of hospitals, parks, government buildings and social housing

MIDSTREAM AND STORAGE FACILITIES

Commodity product storage, energy, and non-energy assets

DIGITAL INFRASTRUCTURE

Towers, fibre cabling and data centres in well-understood markets or regimes

This structure helps us avoid chasing trends and ensures we focus on areas where we have deep expertise.

What macroeconomic forces are driving the growth of infrastructure debt?

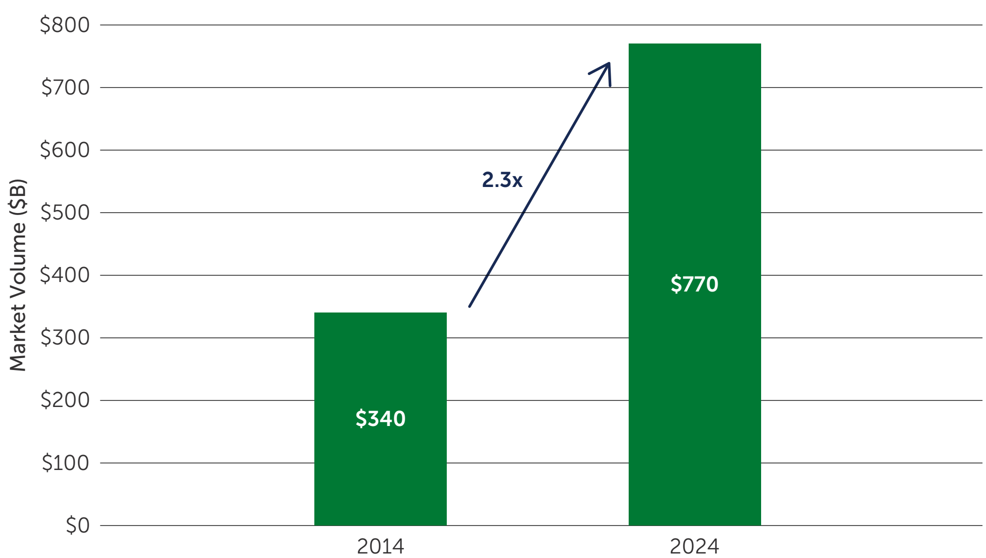
Over the past decade, the infrastructure debt market has undergone a dramatic transformation. In 2014, the total volume of private infrastructure financing was approximately $340 billion. By the end of 2024, that figure had more than doubled to over $770 billion.[1] **This growth is driven by two major forces: the digital revolution and the global energy transition.**

Digital infrastructure, particularly data centers, is expected to require up to $7 trillion in investment by 2030.[2] Simultaneously, the shift toward sustainable energy sources—away from coal-fired plants and toward renewables—is projected to demand another $7 trillion globally.[3]

These trends are not just reshaping the asset class; they're embedding infrastructure into the fabric of daily life. From rooftop solar panels to fiber networks powering AI, infrastructure is becoming increasingly decentralized and consumer-facing.

This evolution has created a resilient and expanding opportunity set. Infrastructure is no longer a monolithic concept centered on airports and power plants—it now includes assets that touch every aspect of modern life. The sector's growth is supported by strong structural tailwinds, including government policy, technological advancement, and shifting consumer behavior.

Figure 1: Total Global Market Volume Deployed



Source: Infralogic. Debt issued by closed transactions across the infrastructure market. Includes M&A, refinancings and greenfield project financings across banks, credit funds and capital markets. Data as of March 31st, 2025. Data run as of April 9th, 2025.

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2. Source: McKinsey&Co. As of April 28, 2025.
3. Source: BloombergNEF. As of December 7, 2022.

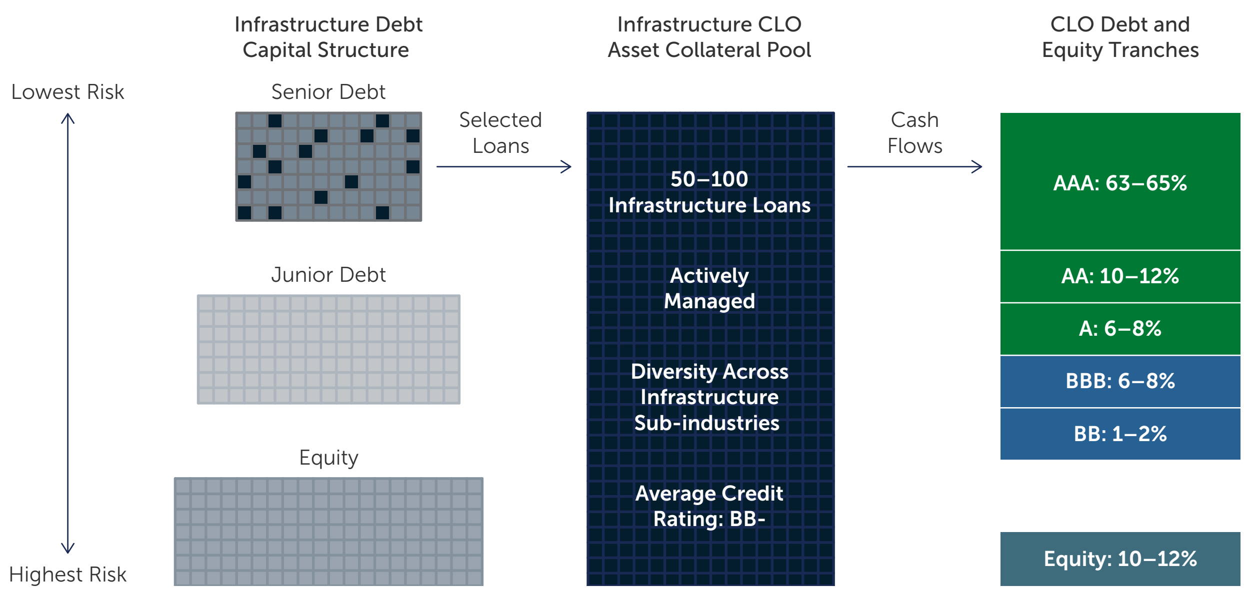
How is infrastructure being financed today, and what role do institutional investors play?

Historically, infrastructure was financed by governments, utilities, and banks. However, fiscal constraints and evolving energy needs have created a significant funding gap. Governments are facing budgetary pressures, and utilities are grappling with the need to modernize their grids to support decentralized energy generation and increased demand from AI and digital technologies.

Banks remain key players in infrastructure financing, but they are increasingly challenged by the scale and velocity of capital required. This has opened the door for institutional investors and asset managers to play a more prominent role. Innovative financing structures are emerging, such as partnerships between utilities and institutional managers. These arrangements allow utilities to carve out discrete assets, retain operational control, and raise capital without tapping public markets.

Infrastructure CLOs (collateralized loan obligations) are another breakthrough. These vehicles enable investors to access diversified tranches tailored to their risk-return profiles. They offer a scalable and flexible way to participate in infrastructure debt, addressing challenges such as limited rated deals and concentration risk. The rise of these tools reflects a broader trend toward democratizing access to infrastructure financing and expanding the investor base.

Figure 2: Typical Infrastructure CLO



Source: Barings

Who is investing in infrastructure debt, and how is the investor base evolving?

While insurance companies have long dominated the infrastructure debt space due to their long-dated liabilities and favorable capital treatment, the investor base is diversifying rapidly. Pension funds, sovereign wealth funds, asset managers, and high-net-worth individuals are increasingly allocating to the asset class.

Pension funds, for example, typically target 2–5% allocations[4] to infrastructure, but given the scale of the opportunity, that figure is likely to rise. Sovereign wealth funds and pension plans—historically equity investors—are now expanding into debt. Retail-oriented institutions are also exploring ways to participate, signaling untapped potential.

This broadening base reflects infrastructure debt's maturation and its appeal across investment mandates. The asset class offers a compelling combination of stability, diversification, and yield. As more investors seek exposure, Barings is developing tailored products to meet diverse needs, whether under fixed income, real assets, or alternatives. The goal is to provide scalable solutions that align with institutional frameworks and risk appetites.

What is the return profile of infrastructure debt, and how can investors build diversified exposure?

Infrastructure debt is predominantly investment-grade, offering stable returns and low risk—ideal for conservative investors like insurance companies. However, Barings has expanded its capabilities to include non-investment-grade strategies and infrastructure CLOs, which provide higher yield potential and broader access.
Compared to traditional corporate debt, infrastructure debt often delivers a premium, even at the investment-grade level. The asset class also provides diversification and resilience, particularly in volatile markets. For investors seeking higher yields, non-investment-grade strategies offer compelling opportunities, though they require careful management due to their illiquid nature.

Barings is addressing challenges such as limited rated deals and concentration risk by working with rating agencies and developing tailored products. Infrastructure CLOs, for example, allow investors to choose tranches that match their risk-return profiles, enhancing flexibility and reach. These innovations are helping investors build scalable, diversified portfolios that align with their internal frameworks and long-term objectives.

Infrastructure debt is still a relatively young industry, but its evolution is creating new opportunities for diversification and growth. As the market matures, we expect to see continued innovation in product design, risk management, and investor engagement.

4. Source: Barings. As of August 22, 2025.

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