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**Infrastructure Debt:
The Cornerstone of the
New Investment Era**

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As policymakers and companies race to deliver the infrastructure backbone of a sustainable, digital economy, the investment requirements are vast and long-dated. Institutional investors seeking yield, resilience, and real-asset exposure are increasingly turning to infrastructure debt as a cornerstone of diversified private markets portfolios.

Infrastructure assets – renewable power, transport, digital networks, water, and waste systems – share distinctive features that underpin their resilience: **high barriers to entry, monopolistic or quasi-monopolistic positions, inflation-linked or contracted revenues, and essential demand that remains stable across economic cycles.** These characteristics aim to translate into predictable, inflation-protected income and lower correlation to public markets, making infrastructure a compelling diversifier within institutional portfolios.

The combination of essential-service economics, superior credit quality, and long-term cash flow visibility makes infrastructure debt distinctly positioned to provide both defensive stability and attractive total returns across cycles. For insurers, pension funds, and long-term allocators, the asset class also offers structural efficiency under Solvency II and the ability to align portfolios with the sustainability transition.

The Case for Infrastructure: From gap to opportunity

The world's economies are undergoing an unprecedented transformation. The imperatives of **decarbonisation** and **digitalisation**, accelerated by the greater need for **energy and data sovereignty**, are reshaping how nations produce energy, move people and goods, and connect communities. This shift is creating vast investment needs – and equally vast opportunities – for investors able to identify and finance the real assets that will underpin the next era of economic growth.

According to the Global Infrastructure Hub¹, the gap between projected investment and the capital required to provide essential infrastructure by 2040 amounts to nearly USD 15 trillion globally. In Europe alone, the European Commission estimates that an additional EUR 5.4 trillion of investment will be required between 2025 and 2031 to meet the EU's Green Deal and digitalisation goals. For long-term investors seeking stable cashflows and real-asset protection, infrastructure offers an attractive solution.

Convergence of private and public players

Both private and public players are converging to bridge the investment needs. Germany's recent €500 billion infrastructure push across the transportation, energy, and digitalization sectors, or UK's announced c. £29.8bn for transportation and energy sectors alone are some of the latest public commitments towards long-term and strategic investing. We see this trend as positive for infrastructure private players: rather than crowding out private investments, government initiatives are spurring and de-risking infrastructure investments.



The Mega-Trends Driving Long-Term Growth

Infranifty's investment convictions rest on four megatrends shaping the infrastructure universe:

<p>Energy Sovereignty and Energy Transition:</p> <p>Decarbonisation has moved from policy aspiration to economic necessity, fuelled by the need of various nations for greater energy security. Renewable power generation – solar, wind, hydro, biogas – and enabling technologies such as district heating, energy-efficiency retrofits, and long-duration storage form the backbone of the global energy transition.</p>	<p>Digital Transformation:</p> <p>Explosive data growth, cloud computing, and artificial intelligence are driving exponential demand for data centers, fibre networks, and 5G connectivity. Physical digital infrastructure is now as critical as transport or power grids once were.</p>	<p>Decarbonised Transport:</p> <p>Electrification of personal and public transport, the expansion of EV-charging networks, and investment in freight rail and public transit systems are redefining mobility and logistics while supporting national decarbonisation targets.</p>	<p>Decarbonised Environment, Water & Waste:</p> <p>Circular-economy regulation and resource scarcity are catalysing investment in recycling platforms, water-treatment facilities, and industrial efficiency solutions. By 2030, the EU aims to recycle 65% of packaging waste and landfill less than 10% of total waste, creating a large addressable market for sustainable operators.</p>
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We believe these secular themes provide a powerful foundation for long-term, stable growth, and they are central to our strategy as a specialist infrastructure investor.

¹<https://www.gihub.org/>

Infrastructure Debt: A Source of Resilience and Yield

While infrastructure equity has long been recognised as a core allocation in institutional portfolios, infrastructure debt has emerged as a strategic complement, offering compelling risk-adjusted returns, capital protection, and predictable cashflows in a world of heightened macroeconomic uncertainty.

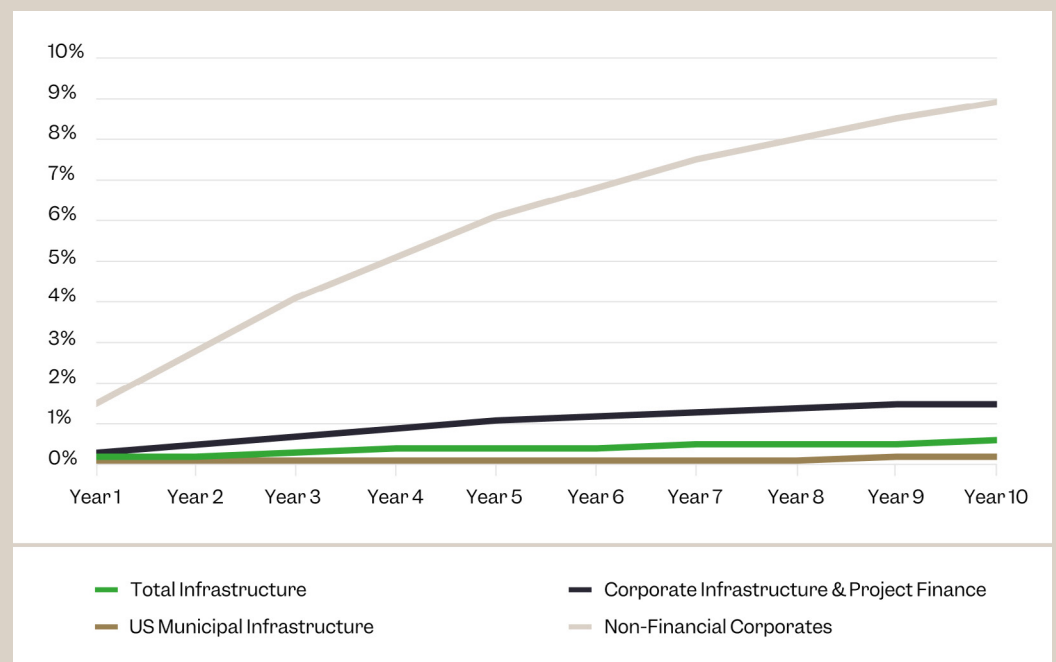
Superior credit quality and stability vs corporate credit

Infrastructure debt benefits from fundamental structural benefits that we believe are competitive to traditional corporate credit:

- Stable demand and limited sensitivity to economic cycles
- Long-term contracted revenues with creditworthy off-takers
- Inflation-linked income and cost-pass-through mechanisms
- Secured collateral and robust covenant packages

These key features support a lower probability of default and lower credit losses. For example, in Figure 1, Moody's public infrastructure portfolio's default rate stood at a five-year average of 0.8% and associated credit losses amounted to 0.3% of face value over the same period. This contrasts with a 9.7% default rate (32x higher) and 6% credit losses per face value (20x higher) for non-financial corporates over the same period. The divergence in credit losses increases when looking at longer periods of time.

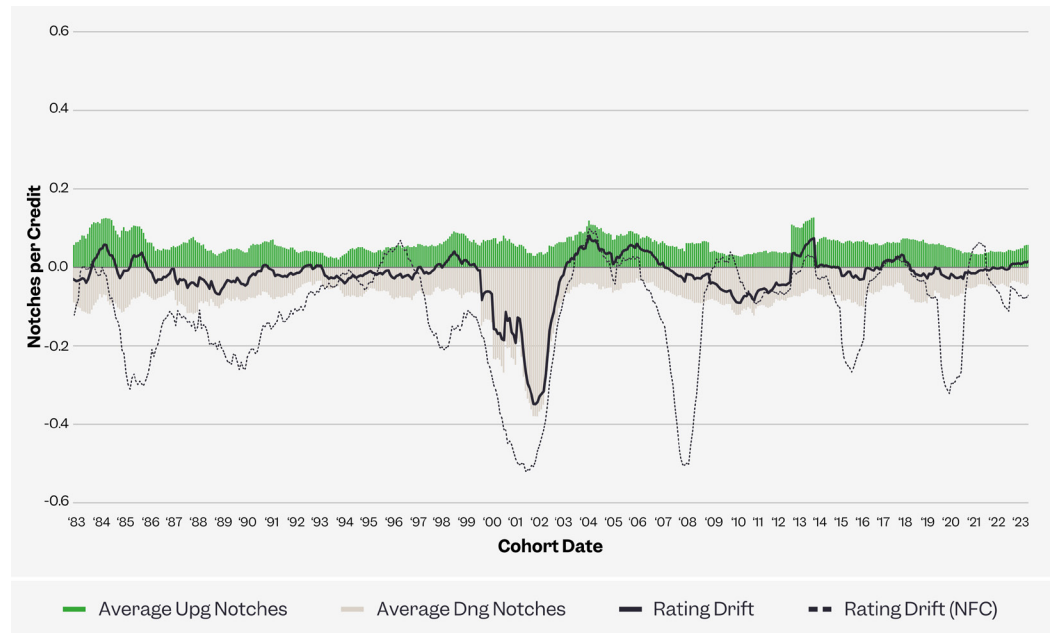
Figure 1: Moody's Cumulative Loss Rate for infrastructure debt securities²



² Moody's study: Moody's Infrastructure & Project Finance: Infrastructure default and recovery rates, 1983-2023, July 2024

Infrastructure lenders also benefit from higher ratings stability and hence, return predictability, compared to broader non-financial corporates, all else being equal. Figure 2 below highlights the resilience of Moody's public infrastructure portfolio over the past four decades, compared to the corporate sector. For example, infrastructure ratings remained broadly stable during the Great Financial Crisis, while the average corporate entity was downgraded by 0.5 notches. This reflects infrastructure's essential and contracted nature and the companies' ability to better manage their financial performance as a consequence.

Figure 2: Moody's Rating Drift for total infrastructure securities³



Rating drift is defined, as per Moody's, as the number of notches upgraded net of number of notches of downgrade.

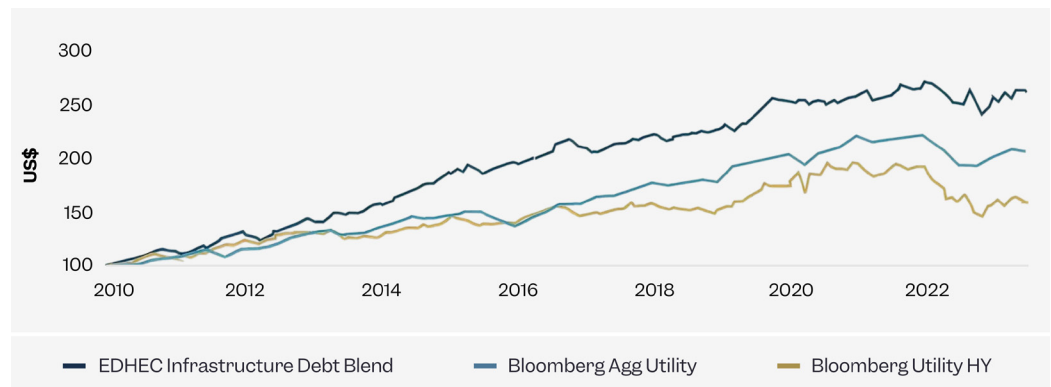
Attractive risk-adjusted returns

Infrastructure debt also offers investors a liquidity and complexity premium relative to public bonds. Since 2012, the EDHEC Infrastructure Debt Blend Index has outperformed comparable public and private credit benchmarks (see Figure 3).

Recent market data reinforce this picture: average spreads on BB/B-rated corporate loans sit near 260–360bps⁴, while equivalent infrastructure debt transactions often achieve 400–500bps with higher recovery expectations and lower volatility. For insurers and long-term asset owners, investment-grade infrastructure debt further delivers Solvency II-efficient returns, while sub-investment-grade strategies offer yield enhancement without the same downside risk as conventional leveraged loans.

In short, infrastructure debt combines defensive credit behaviour with compelling relative value, positioning it as a core diversifier within the broader private credit universe.

Figure 3: EDHEC infrastructure debt performance vs. public and private indices: Performance of USD100 invested⁵



³ Moody's study: Moody's Infrastructure & Project Finance: Infrastructure default and recovery rates, 1983-2023, July 2024

⁴ Quarterly European Leveraged Lending Review, Q2 2025, PitchBook LCD

⁵ EDHEC Infrastructure Blend index is calculated by blending 70% Infra300 Global Debt, equally weighted based on local currency, and 30% Infra300 Global Equity, equally weighted based on local currency, to correlate to an infrastructure debt index. Sources: CapitalIQ, Datastream, EDHEC

Infrantry's Infrastructure Debt Portfolio: Resilient Rating Performance

Infrantry's infrastructure experts insight

Could you describe the ratings characteristics of Infrantry's portfolios?



Our portfolios demonstrate the similar superiority that defines the broader asset class. Between 2019 and 2024, 85% of our BBB-rated exposures remained within the same rating bucket, with no defaults, despite multiple stress periods including the pandemic, energy-price shocks, and the sharp rise in interest rates since 2023. The remaining 15% reflected a modest mix of upgrades and limited downgrades, an outcome that we believe underscores the team's disciplined structuring, sector diversification, and risk oversight.

Stéphane Buemi,
Chief Risk Officer

Could you explain the key reasons for the stability of Infrantry's portfolios?



We believe the stability of Infrantry's portfolios stems from several key factors:

- **Diversified portfolio:** We invest across a wide range of sectors, including power, telecommunications, waste and environment to social infrastructure, with a strong focus on futureproof, sustainability-related activities, with limited exposure to technology risk. We also diversify geographically across Western Europe.
- **Selection ability:** We carefully select each investment in the perspective of portfolio construction to offer the best match to our clients' objectives and risk-return appetite.
- **Disciplined structuring ability:** As infrastructure lenders with a buy-and-hold mindset, we maintain a long-term rating view. Our strong relationships with the borrowing counterparties and capacity to deploy high tickets result in the negotiation of tailor-made financial terms, enhancing the longer-term visibility of our transactions' cash flows. Our strategy is to have direct influence on the deal structure to ensure we can design bespoke structural features such as covenant packages and leverage profiles, and mitigate risks appropriately.
- **Comprehensive Risk & ESG integration**
Every transaction is designed for long-term resilience. Our risk team – which includes former rating-agency professionals – applies a conservative, independent credit-rating methodology. ESG factors are embedded at each stage, from sourcing to monitoring, in alignment with the firm's belief that sustainability and financial performance are mutually reinforcing.

Sacha Kamp,
Head of Infrastructure Debt



infranity

An infrastructure specialist with scale, expertise, and discipline

Infranity is a well-established global infrastructure investment specialist, managing over €13 billion since inception across private debt and equity. Supported by Generali Group, one of Europe's largest institutional investors, Infranity combines the strength and governance of a major financial institution with the agility and entrepreneurial spirit of an independent boutique.

Our 70-plus-member team brings exceptional depth across origination, credit analysis, and asset management. At Infranity, we access an estimated 90% of total European deal flow, often as lead or bilateral lender, enabling us to negotiate bespoke terms and covenant structures aligned with each borrower's profile and investors' risk appetite. Our strict underwriting culture targets a 0% loss rate, a standard maintained since inception.



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