



Investing in Private Infrastructure

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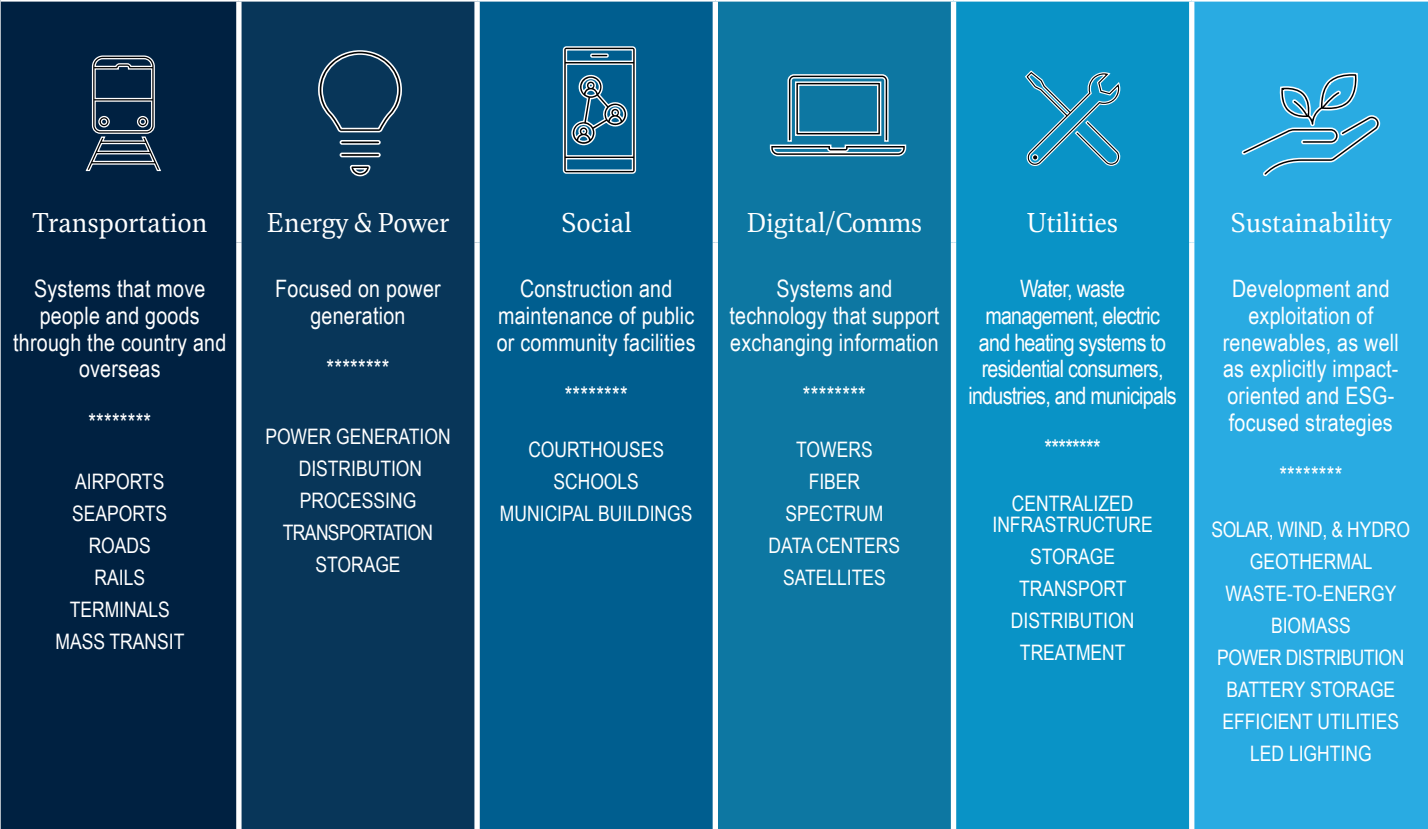
While there is a growing need for investment to improve and upgrade infrastructure around the globe, the traditional providers of infrastructure capital, such as governments and corporations, have been limited in their ability to invest. In the funding gap that has emerged, private capital has stepped in, providing an opportunity for investors. As an asset class, private infrastructure has the opportunity to provide investors with diversification, stable income, downside mitigation, and inflation protection across a wide variety of economic conditions.

What are Infrastructure Investments?

Infrastructure is the foundation for the production and delivery of goods and services critical to the global economy. Infrastructure assets often have some combination of the following characteristics: long useful lives, high barriers to entry, monopolistic market positioning, and generally stable usage. Infrastructure investments also usually enjoy inelastic demand, relatively stable cash flows, and low long-term exposure to commodity prices. These attributes are usually attached to assets that have an “essentiality” component, such as those associated with transportation, energy and other critical utilities, government operations, and mass communication networks.

The private infrastructure asset class can be categorized both by the sectors it targets as well as by its risk-return profiles. Figure 1 depicts the various primary sectors that infrastructure invests in, as well as the key sub-sectors within each.

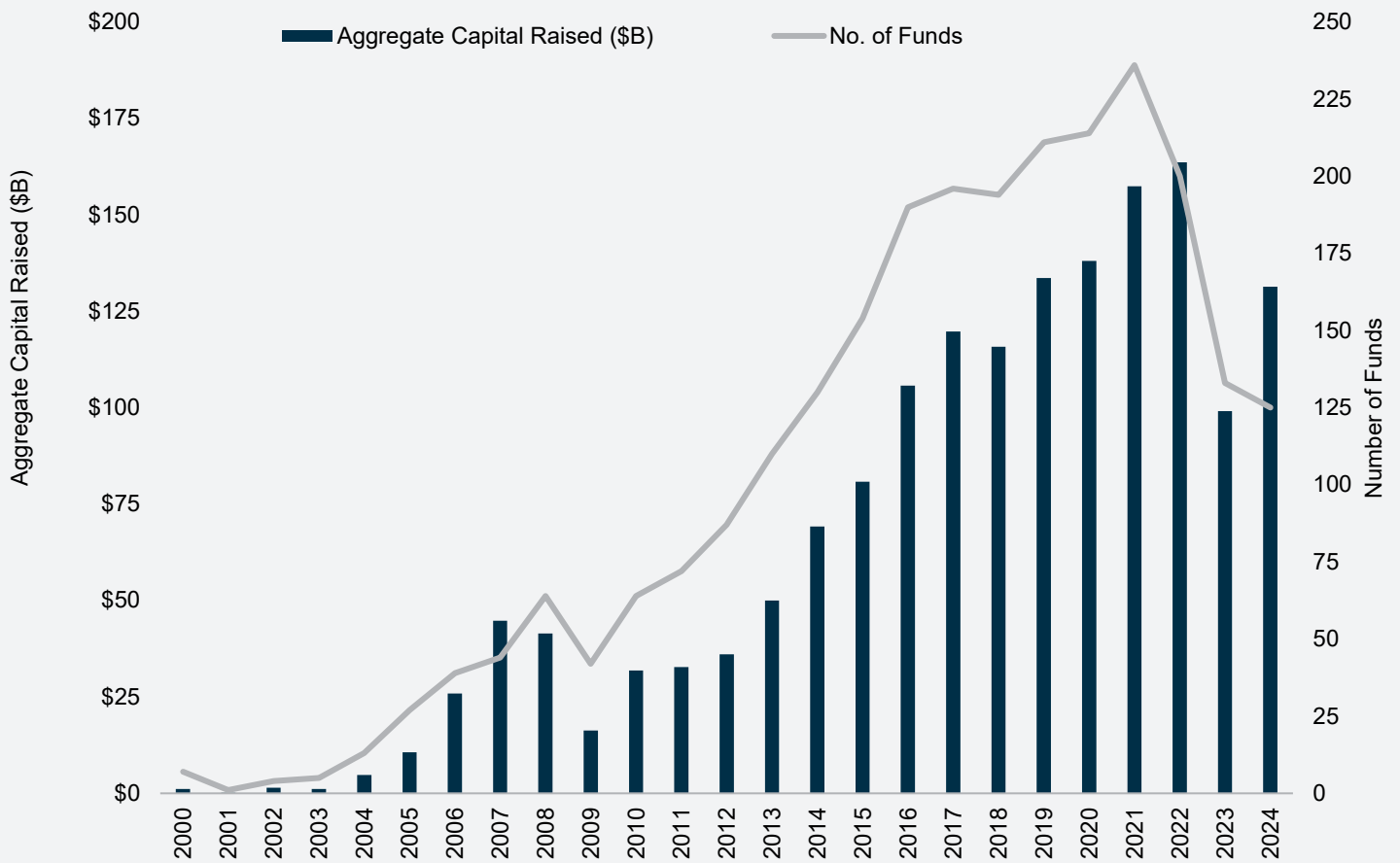
Figure 1
Breakdown of Infrastructure Sectors and Sub Sectors



Source: Meketa Investment Group, 2025.

Figure 2

Global Private Infrastructure Aggregate Capital Raised and Number of Funds



Source: Preqin, as of December 31, 2024.* Data pulled in July 2025. Past performance is not indicative of future performance. May lose value.

Investable Universe

The investable private infrastructure universe first became a noteworthy part of the private market landscape around 2006, and it has grown more robust ever since. Infrastructure funds have experienced significant growth over the past two decades, raising a cumulative total of approximately \$1.6 trillion from 2000 through 2024 (see Figure 2).


The number of funds and aggregate capital raised per year peaked in 2021 and 2022, respectively. As of year-end 2024, aggregate capital raised per year has nearly doubled compared to a decade prior.

Infrastructure Strategies

Infrastructure strategies, differentiated by their risk and return profiles, are often the first dimension established for diversification within an infrastructure program. Both equity and debt strategies are available in infrastructure. Equity strategies may be broadly characterized as core, core plus, value add, and opportunistic, on a continuum from lower risk and return to higher risk and return (see Figure 3).

The strategies are not mutually exclusive. Additionally, the risk/return profile of any individual asset may purposefully change over an owner's hold period, as managers may enter an investment at a relatively higher risk-return profile, work to de-risk or otherwise improve the asset, and exit by selling it to investors with a relatively lower risk/return target.

Figure 3
Infrastructure Strategy Description & Risk-Return Profiles



	Description	Typical Investments	Return Drivers
Opportunistic	Often involves new construction or development of an asset, which has more risk than buying an existing operational asset, but also offers the greatest potential return. These investments involve an elevated level of uncertainty, which may be related to revenue stability, future demand or usage, or significant exposure to commodity prices. This may also include projects in developing countries.	Target deals may include brownfield assets that are more complicated or involve more capex than value add strategies, and/or “greenfield” assets that do not currently exist.	In developed markets, returns are mostly driven by capital appreciation. In other geographies, there could be more of a yield component, for example, if executing an otherwise core or value add strategy.
Value Add	Assets that have many of the same qualities as core assets but offer the opportunity for additional value creation through further development, new or extended contracts, or increased capacity.	Typically, “brownfield” situations involving an existing, operating asset needing improvements, repairs, or expansion. May also involve renegotiating and extending contracts or repurposing existing assets.	Returns are derived from a combination of yield and capital appreciation.
Core Plus	Exists between and often overlaps with core and value add. It could also reflect a “build to core” strategy, where the assets would have a higher risk-return profile during the development, construction, and early operations stage, but will ultimately qualify as a core asset for a long-term hold period.	Involves facility expansions without a complete retrofit or rehabilitation.	Portions of total return from yield and appreciation between core and value add. Also, may have lower yields than core early in the term.
Core	Assets that are essential to the economy and have a high certainty of revenue through long-term contracts, significant cash yield, and a strong link to inflation, often through a pass-through mechanism.	“Secondary stage” assets that are fully operational and require no investment for development.	Returns are primarily attributable to current yield over a long-term, even perpetual hold.

Source: Meketa Investment Group, 2025.

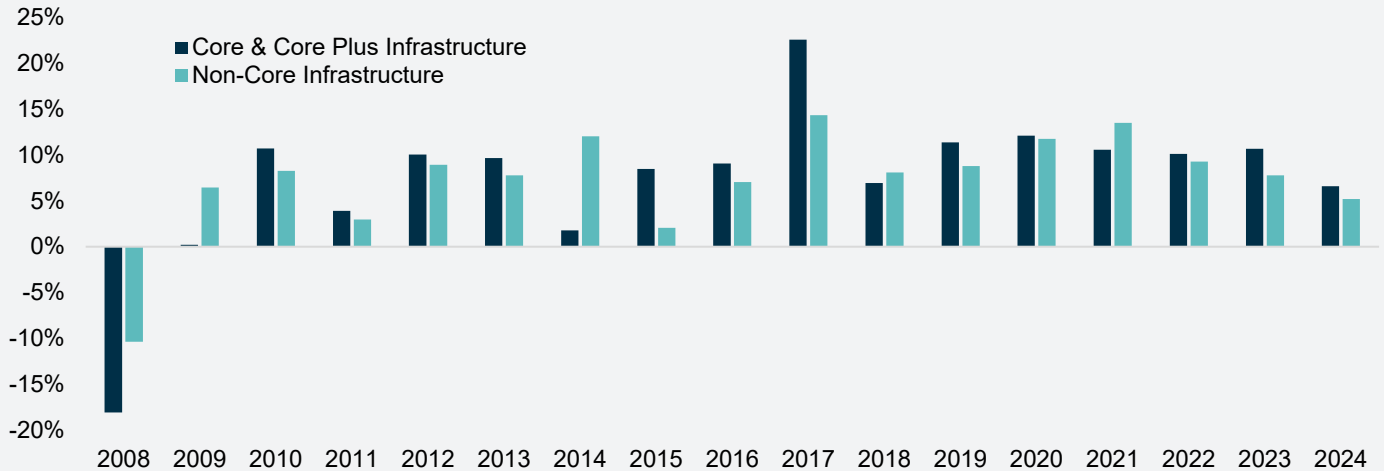
Historical Performance and Manager Alpha

Figure 4 shows the annual returns of private infrastructure’s primary core/ core plus and non-core strategies.

Manager and fund selection in private infrastructure, like all private markets, is essential to achieving top quartile returns. Interquartile spreads can be interpreted as how much potential value lies in selecting superior funds or managers within each asset class (see Figure 5).

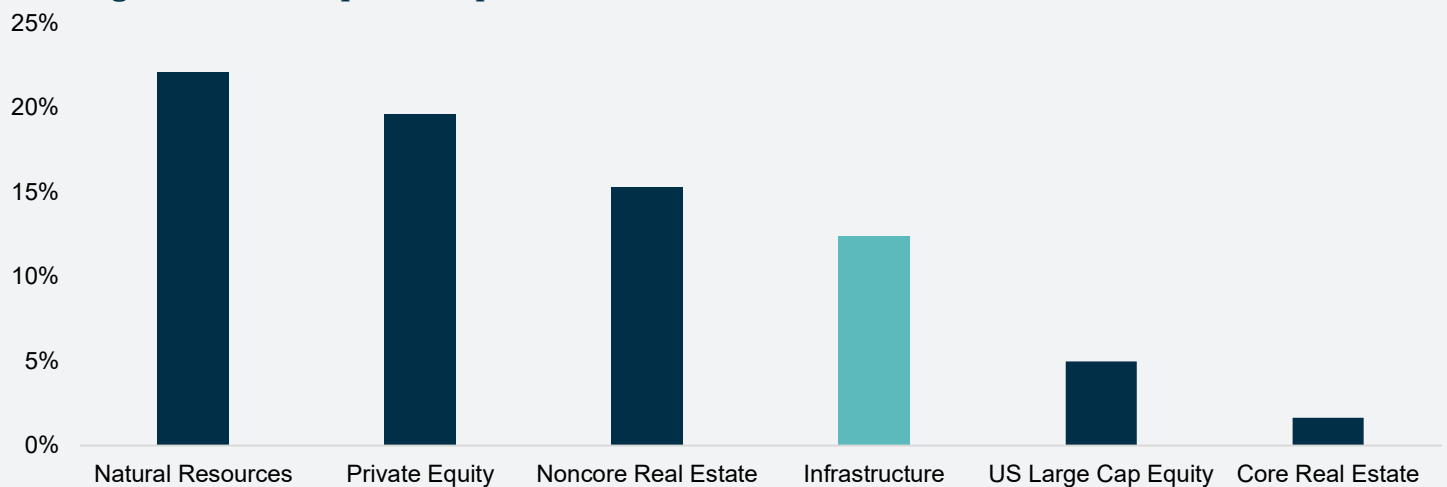
Over the trailing 10-years, infrastructure’s interquartile spread was 12.4%. Compared to other private markets, infrastructure has a smaller interquartile spread than natural resources, private equity and non-core real estate, though it is still significantly larger than that for public US large cap equities. The inclusion of core funds in the infrastructure composite may partly explain why the spread is lower than that for the other private market composites.

Figure 4
Annual Returns by Infrastructure Strategy



Sources: *Cambridge Associates via IHS Markit, Calendar Year IRR, as of December 31, 2024.** Data pulled in July 2025. Indices used: Cambridge Core & Core Plus Infrastructure Composite, Cambridge Value Add Infrastructure Composite, Cambridge Opportunistic Infrastructure Composite. Non-Core is 50% Value Add and 50% Opportunistic. **Past Performance is Not Indicative of Future Performance. May Lose Value.**

Figure 5
Trailing 10-Year Interquartile Spread



Sources: *eVestment Alliance, NCREIF, and Cambridge Associates via IHS Markit, as of December 31, 2024.** Public and Private Markets data pulled in May 2025. Public Markets 10-year interquartile spreads are evaluated by taking the difference between the geometric average of the 75th percentile return and the 25th percentile over a rolling 12-month period. Private Markets 10-year interquartile spreads are calculated by taking the difference between Cambridge’s provided 10-year 75th percentile pooled IRR and 25th percentile pooled IRR. For more information on the public market’s alpha calculation, see Meketa’s Manager Alpha Whitepaper. Indices used: Cambridge Private Equity Composite, Cambridge Value Add Real Estate Composite, Cambridge Opportunistic Real Estate Composite, Cambridge Infrastructure Composite, Cambridge Natural Resources Composite, eVestment US Large Cap Core Equity Universe, NCREIF NFI ODCE. **Past Performance is Not Indicative of Future Performance. May Lose Value.**

Why Invest in Infrastructure?

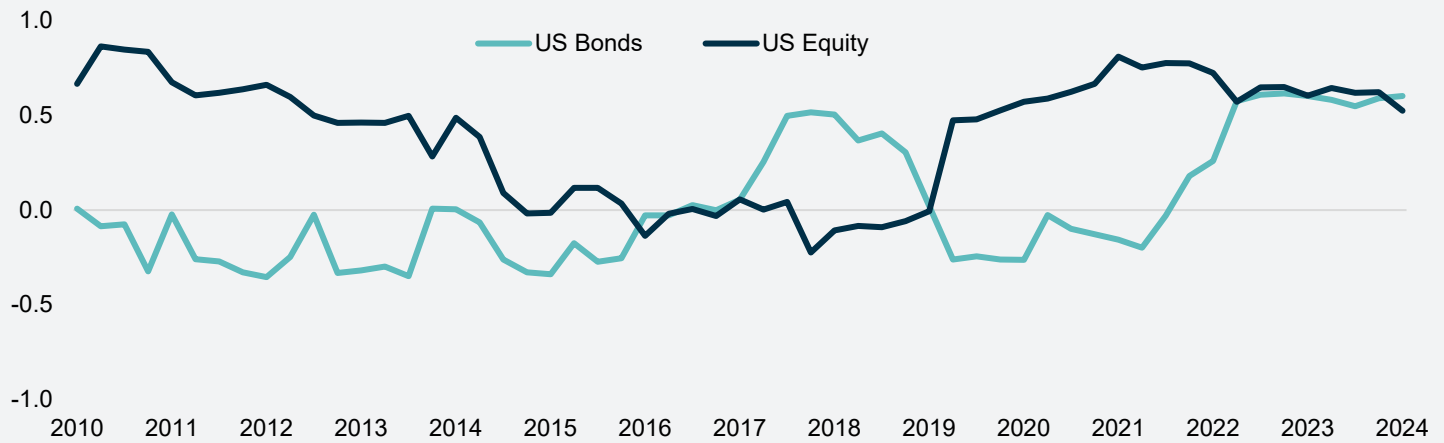
The infrastructure asset class may be appealing to investors for a number of reasons, primarily diversification benefits and inflation hedging potential. Another appealing aspect of infrastructure is the potential for income generation, depending on the strategy employed.

Diversification From Major Asset Classes

Infrastructure's correlation to both US bonds and equities has varied considerably since 2008.

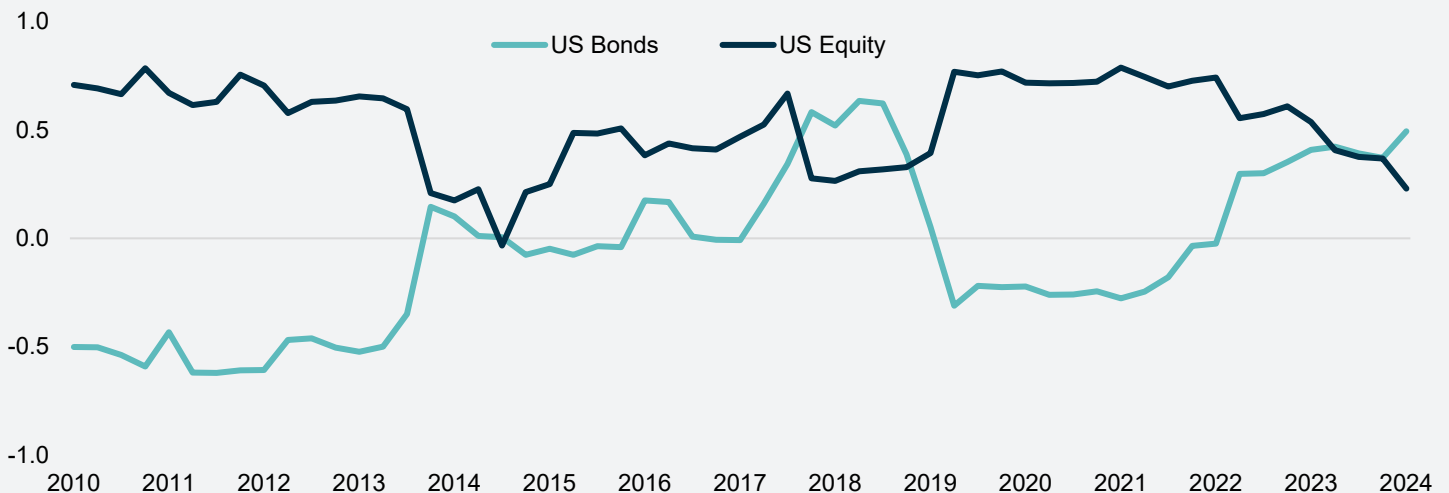
On average, both core/core plus and non-core private infrastructure have exhibited a correlation near zero with US bonds since 2008 (see Figures 6 and 7). US equity has also shown substantial variability in its correlations with core/core plus and non-core infrastructure. However, the average correlations are positive at 0.53 and 0.60, respectively. This implies they are somewhat correlated to equities, which seems intuitive as, in the long run, returns for both sets of assets are likely to be driven by economic growth.

Figure 6
Rolling 3-Year Correlation to Core Infrastructure



Sources: *InvMetrics and Cambridge Associates via IHS Markit, as of December 31, 2024.** Private markets is quarterly pooled IRR, pulled in July 2025. Public markets monthly returns converted to quarterly. Indices used: Cambridge Core & Core Plus Infrastructure Composite, Cambridge Value Add Infrastructure Composite, Cambridge Opportunistic Infrastructure Composite, Russell 3000, Bloomberg US Aggregate Bonds Index. Non-Core is 50% Value Add and 50% Opportunistic. **Past Performance is Not Indicative of Future Performance. May Lose Value.**

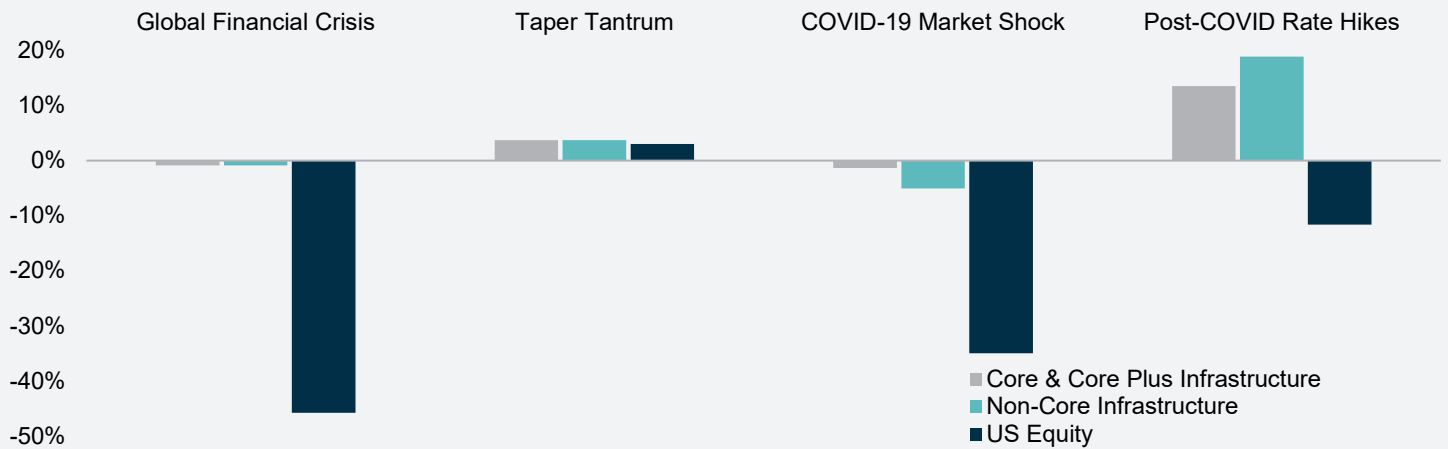
Figure 7
Rolling 3-Year Correlation to Non-Core Infrastructure



Sources: *InvMetrics and Cambridge Associates via IHS Markit, as of December 31, 2024.** Private markets is quarterly pooled IRR, pulled in July 2025. Public markets monthly returns converted to quarterly. Indices used: Cambridge Core & Core Plus Infrastructure Composite, Cambridge Value Add Infrastructure Composite, Cambridge Opportunistic Infrastructure Composite, Russell 3000, Bloomberg US Aggregate Bonds Index. Non-Core is 50% Value Add and 50% Opportunistic. **Past Performance is Not Indicative of Future Performance. May Lose Value.**

Figure 8

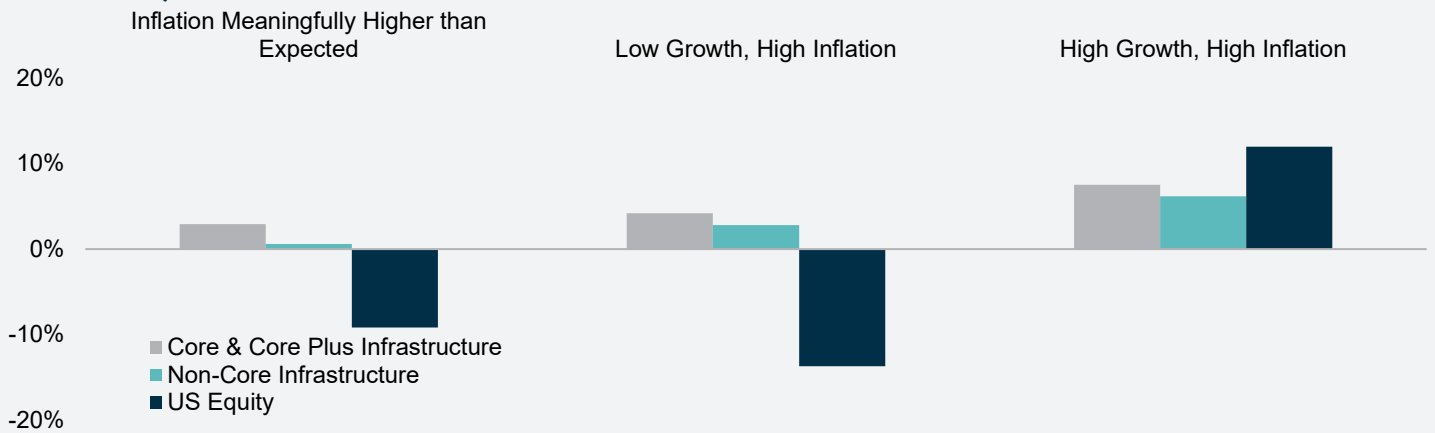
Returns During Historical Market Downturns



Source: Meketa’s Asset Allocation Tool, 2025. Returns are cumulative for the time period over which the scenario occurred. Dates for the events in order are: Oct 2007-Mar 2009, May-Aug 2013, Feb-March 2020, Jan 2022-Oct 2023. **Past Performance is Not Indicative of Future Performance. May Lose Value.**

Figure 9

Inflationary Scenarios



Source: Meketa’s Asset Allocation Tool, 2025. Reflects average annualized asset class returns. These figures are from Meketa’s scenario analysis based on data from Cambridge Associates via IHS Markit, Bloomberg, and FRED from February 1973 to December 2024. See the appendix for more details on and descriptions of the inflationary periods included in Meketa’s scenario analysis. The above data reflects a hypothetical scenario – not actual performance results. **Past Performance is Not Indicative of Future Performance. May Lose Value.**

Diversification During Market Downturns

Private infrastructure may help to provide investors downside protection during market downturns. As shown in Figure 8, core/core plus and non-core infrastructure strategies have fared better than equities during the major market downturns over the last 15 or so years.

Inflation Hedge

A commonly cited purpose of private infrastructure allocations is inflation protection. Many infrastructure assets include physical property that is expected to maintain or increase in value during periods of inflation. Additionally, many infrastructure investments’ revenue streams have explicit inflation links under contract or concession schemes.

Infrastructure’s inflation protection benefit is evident in Figure 9. Core/ core plus and non-core private infrastructure outperformed US equities in two of the three inflationary scenarios, and generated positive returns in all three scenarios. The analysis does not suggest that infrastructure will always generate positive returns during future inflationary times. It implies that core/ core plus infrastructure is more responsive to inflation than non-core infrastructure, as would be expected since core/core plus tends to have a higher percentage of contracted and otherwise inflation-linked revenues. (See Inflation Scenario Analysis explanation on the next page.)

Risk Considerations

As with any asset class, private infrastructure investments can present risks to understand and consider before investing. For example, regulatory and legislative developments may impact partnerships and pricing structures. There may also be environmental, social, and governance (ESG) risk if the infrastructure project will disrupt a region's community, such as a large highway project, or if the construction results in pollution or environmental hazards.

Infrastructure investments may also be affected by construction risks, such as higher-than-expected costs or construction delays. And for infrastructure projects that have revenues that are dependent on the market price being higher than the production cost, such as in energy, price volatility can have an effect on revenues.

It's also important to know that leverage is a common characteristic of infrastructure, which entails risk. While the amount of debt managers place on investments is typically directly related to the certainty and security of the revenue streams, high amounts of leverage result in high amounts of interest to be paid.

Diversifying with Private Infrastructure Investments

An allocation to private infrastructure may provide several benefits to investor portfolios, from diversification and downside protection to serving as a hedge against asset depreciation during high inflationary periods.

Infrastructure encompasses a wide variety of strategies with respect to their level and type of risk, as well as their return potential. As always, investors should conduct careful due diligence to make sure that investments match their objectives and risk comfort level.

Inflation Scenario Analysis

- › Meketa's Inflation Scenario Analysis is for the period February 1973 - December 2024.
- › Indices Used: Russell 3000 TR, Cambridge Core & Core Plus Infrastructure Composite, Cambridge Opportunistic Infrastructure Composite, Cambridge Value Added Infrastructure Composite. Meketa backdated all asset class returns whose inceptions were after February 1973 with the closest available proxies.
- › Inflation and GDP data are taken from the St. Louis Federal Reserve Bank's FRED database.
- › The Scenario Analysis is based on a generalized linear regression (GLS) model that estimates the effects of realized and surprise inflation on monthly asset returns, controlling for the economic environment. The GLS model assumes a residuals autocorrelation of 1. Quadratic independent variables are added to the regression model to account for potential non-linearity between an asset class and inflation. Estimated scenario returns at the asset class level are then calculated as the expected value of asset class returns, conditional on the inflation scenario.
- › Inflation is the monthly change in CPI from the 3-month rolling average CPI, surprise inflation is the difference between this month and last month's inflation rate, and GDP Growth is the percent change in GDP from the previous quarter.
- › Inflation meaningfully higher than expected is when Inflation is .2% above inflation expectation (i.e. surprise inflation is .2%), .2% is the 75th percentile of positive, historical surprise inflation.
- › Low Growth and High Inflation is when the real GDP growth rate is .3% and inflation is .43%, .3% GDP growth is the 25th percentile of historical GDP growth and .43% inflation is the 75th percentile of historical inflation.
- › High Growth and High Inflation is when the real GDP growth rate is 1.2% and inflation is .43%, 1.2% GDP growth is the 75th percentile of historical GDP growth and .43% inflation is the 75th percentile of historical inflation.

Important Information

*There is no complete and reliable data set for private investments. The information is extremely limited, and most data is compiled from funds that elect to self-report and tend to be biased toward higher performing funds. Losses are underreported. Funds included in these measures lack commonality and transparency. Over time, components of the data may change. Funds may begin or cease to be represented based on these factors, thereby creating a "survivorship bias" that may additionally impact the data reported.

**The Cambridge Infrastructure Index is a horizon calculation based on data compiled from 93 infrastructure funds, including fully liquidated partnerships, formed between 1993 and 2015. The Cambridge Core Infrastructure Index is comprised of Cambridge's Core & Core Plus Infrastructure index and Non-Core is comprised of 50% of Cambridge's Value Added Infrastructure index and 50% of Cambridge's Opportunistic Infrastructure index. The Russell 3000 Index measures the performance of 3,000 stocks and includes all large-cap, mid-cap and small-cap U.S. equities, along with some microcap stocks. The Bloomberg U.S. Aggregate Bond Index is a broad-based, market capitalization-weighted bond market index representing intermediate-term investment-grade bonds traded in the U.S.

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