PGIM

PRIVATE CREDIT SERIES | PART 4

BEYOND THE ASSET: RETHINKING INFRASTRUCTURE FINANCE



How a broader capital ecosystem is reshaping the infrastructure opportunity set

- **The investment universe now spans the full infrastructure lifecycle, from development to refinancing**
- **Infrastructure is increasingly defined by economic function rather than asset category**
- **Manager selection and underwriting discipline are becoming key drivers of outcomes**

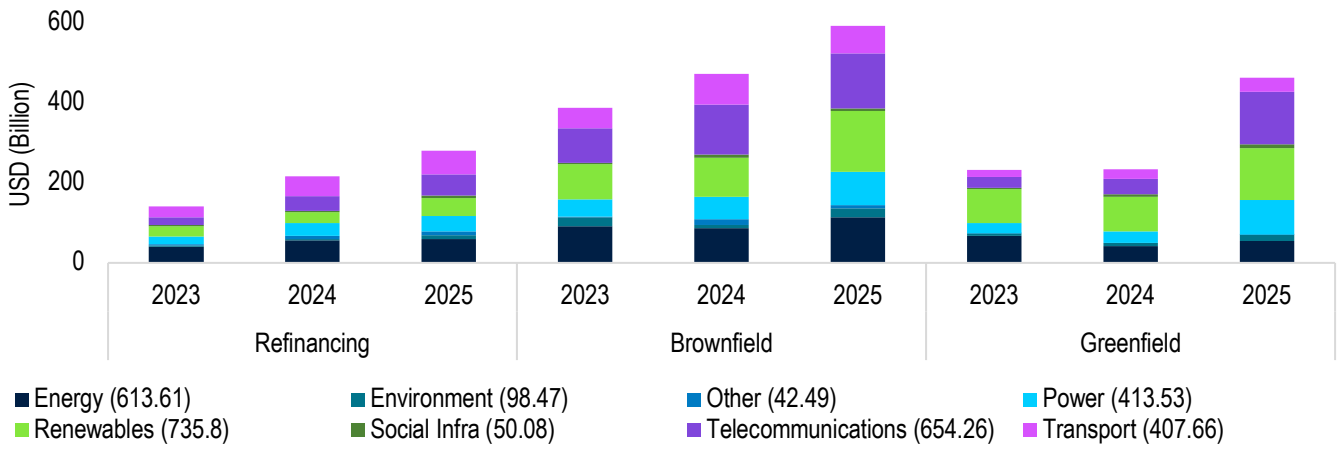
A pipeline, power plant and port may all qualify as infrastructure, but that label tells us relatively little about the risk of the investment. A pipeline's cash flows may depend on ship-or-pay contracts or future drilling activity. A power plant may benefit from contracted revenues or be exposed to merchant power prices. A port may have a diversified customer base or depend heavily on a particular commodity, trade route or customer.

All are infrastructure, but they are not the same credit profile. What ultimately matters is the durability of the underlying economic activity, the structure and predictability of revenues, the strength of counterparties and the asset's competitive position.

Infrastructure is a real asset. Infrastructure debt is a credit business that requires deep insight.

That distinction matters because infrastructure has long occupied a unique position within institutional portfolios. Investors have traditionally associated the asset class with stable cash flows, monopolistic market positions, long asset lives and high barriers to entry, typically through mature assets such as regulated utilities, toll roads, airports, ports, pipelines and transportation networks.

A broader infrastructure universe



Source: Infralogic, as of December 2025

For decades, the financing model supporting these assets was straightforward. Governments, banks, and public capital markets supplied most of the capital required to build, operate and maintain essential infrastructure. Institutional investors participated through ownership of core infrastructure equity or investment-grade debt.

That model has changed. Global demand for infrastructure capital has increased dramatically, driven by digitalization, energy transition, electrification, supply-chain reconfiguration, population growth and the need to modernize aging infrastructure systems. At the same time, infrastructure assets themselves are becoming more diverse, more technologically complex and more capital intensive.

This evolution requires a broader and more sophisticated financing ecosystem. The volume and diversity of financing opportunities increasingly requires participation from a wider range of institutional capital providers. New capital structures, development strategies, construction financings, hybrid securities and sponsor-backed transactions are emerging throughout the market.

The definition of infrastructure itself is expanding. Numerous opportunities no longer fit neatly within traditional infrastructure categories. Data centers, communications networks, digital infrastructure, battery storage systems, distributed energy assets, and other infrastructure-adjacent sectors are becoming increasingly important destinations for capital.

For asset allocators, these developments have significant implications. Infrastructure financing is evolving into a broader capital ecosystem that spans multiple sectors, financing structures, and risk-return profiles.

A VIBRANT CAPITAL ECOSYSTEM

The traditional model relied on standardised structures combining equity and senior debt, supported by long-term contractual revenues and predictable demand. Commercial banks, public bond markets, export credit agencies and public-sector institutions supplied financing, typically for long-duration, investment-grade assets owned by governments, regulated monopolies or specialist operators.

While this model remains an important part of today's market, the opportunity set has expanded considerably. According to McKinsey, global infrastructure requirements may exceed $100 trillion through 2040, spanning both traditional and emerging infrastructure sectors.[1]

Importantly, this expanding demand is not simply increasing the volume of infrastructure financing. It is also changing the nature of the financing itself.

Modern infrastructure projects involve development risk, technology risk, construction risk, scaling risk or rapidly evolving market dynamics. Borrowers and infrastructure equity sponsors increasingly seek financing solutions that support platform acquisitions, expansion strategies, development pipelines, portfolio transactions, and capital structure optimization rather than simple single-asset financings. This is particularly important for infrastructure assets whose credit profile changes meaningfully over their development and growth.

As a result, infrastructure financing is increasingly resembling a broader private capital ecosystem rather than a narrow project-finance market.

THE EXPANDING ROLE OF INSTITUTIONAL CAPITAL

The evolution of infrastructure financing is often described as a story of bank retrenchment. While there is truth to that observation in certain segments, the more important trend is the growing mismatch between infrastructure capital demand and the capacity of any single financing source to meet that demand.

Financing requirements have become larger, more diverse, and more specialized. Some transactions involve construction risk or even merchant market revenue risk. Others require longer durations than banks may prefer to retain on their balance sheets. Still others involve asset types, ownership structures, or financing requirements that do not fit traditional lending frameworks.

At the same time, institutional investors have become increasingly comfortable underwriting infrastructure-related risk at non-investment grade levels. Pension plans, insurance companies, sovereign investors, private debt managers and other long-duration capital providers have developed significant expertise across the sector.

The result has been a wider infrastructure capital stack that meets borrowing needs beyond the capacity of banks to provide. These complex, creative solutions significantly expand the overall pool of capital available for investment.

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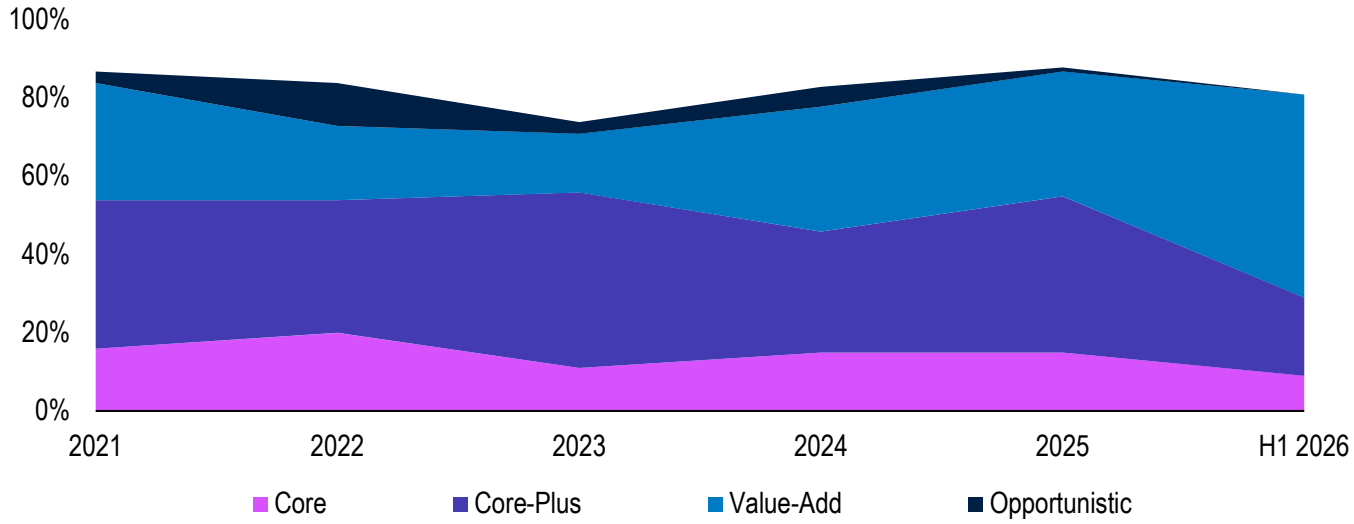
[1] McKinsey & Company, The Infrastructure Moment, September 2025.

Institutional investors are increasingly participating in financing solutions that span senior debt, subordinated / holding company debt, structured capital (including ABS and hybrid securities), construction financing, acquisition financing, refinancing transactions, and other forms of customized capital.

This trend is creating a broader opportunity set than was available to infrastructure investors a decade ago and increasing the value of investment platforms that combine fundamental infrastructure expertise with broad experience across credit markets, financing structures and the broader capital stack.

Opportunities beyond core

Capital raised per strategy focus (%)



Source: Private Equity International (PEI), as of July 2026. Percentages do not total 100% as Debt, Funds of Funds, Secondaries and Co-Investments are not shown.

INFRASTRUCTURE BY FUNCTION, NOT FORM

Historically, infrastructure investing centered on core assets.

Investors sought mature businesses with stable cash flows, strong contractual protections, and low operational volatility. These characteristics remain highly attractive and continue to form the foundation of a wide range of infrastructure portfolios; particularly for investors prioritising long-duration yield assets. Increasingly, however, investors are moving beyond purely core strategies in pursuit of higher yields.

A growing share of capital is being allocated to core-plus and value-add opportunities that offer the potential for enhanced returns in exchange for carefully selected risks. These opportunities can include expansion projects, development pipelines, construction activities, operational improvements, and even what might be best described as "infra adjacent" opportunities.

Importantly, moving beyond core infrastructure does not necessarily imply abandoning the characteristics that originally attracted investors to the asset class. Rather, it reflects recognition that value creation increasingly occurs throughout the lifecycle of infrastructure assets.

Opportunities may arise during development, construction, expansion, refinancing, optimisation, or recapitalisation stages rather than only after an asset reaches full maturity.

For investors capable of underwriting these risks appropriately, the result can be a broader range of investment opportunities and potentially enhanced portfolio outcomes.

THE RISE OF INFRA-ADJACENT SECTORS

Traditional infrastructure classifications no longer capture the full range of opportunities supported by infrastructure capital markets. A growing number of today's most attractive investment opportunities sit at the intersection of infrastructure, technology, real assets, project finance, structured finance and private credit.

Digital infrastructure offers a case in point. Data centers, fiber networks, communications networks and related assets have become increasingly important components of modern economies. Although these assets differ physically from

traditional infrastructure assets, many provide mission-critical services, benefit from significant barriers to entry, require substantial capital investment, and support long-term contractual cash flows.

A long lease to a strong counterparty can support the credit, but it may not remove construction, refinancing, re-leasing, technological obsolescence or residual-value risk. Investors must also test when payments begin and whether lenders retain step-in rights following construction delays or operator default among other factors.

Energy transition investments represent another area of expansion. Renewable generation facilities, battery storage systems, distributed energy assets, transmission upgrades, and related infrastructure are attracting significant amounts of capital. Many require financing solutions that differ materially from traditional infrastructure lending approaches.

These trends suggest that infrastructure is increasingly defined by economic characteristics rather than physical asset categories alone.

Questions such as cash-flow resilience, contractual protection, barriers to entry, essentiality of service, and capital structure positioning may increasingly matter more than whether an asset fits neatly within a traditional infrastructure classification. Together, these characteristics help determine the durability of an asset's cash flows and its ability to preserve value through changing economic and market conditions. That durability, however, does not eliminate credit risk. Realizing the potential resilience of infrastructure debt still depends on disciplined underwriting, appropriate structural protections and recovery value. Our experience across multiple market cycles supports this distinction: through 2025, below-investment-grade infrastructure demonstrated greater capital preservation than comparable public secured and unsecured credit.[2]

For allocators, this shift has important consequences. Restrictive asset definitions may cause investors to overlook some of the most attractive opportunities emerging across infrastructure-adjacent sectors.

IMPLICATIONS FOR ASSET ALLOCATORS

First, allocators may need to reconsider how infrastructure fits within portfolio construction frameworks. A single infrastructure allocation may no longer adequately capture the diversity of opportunities available across the market. Core infrastructure debt, core-plus lending, value-add financing, construction strategies, and infrastructure-adjacent investments can exhibit materially different risk-return characteristics despite sharing multiple underlying infrastructure attributes.

Second, manager selection is becoming increasingly important. As infrastructure financing becomes more complex, success will depend less on access to traditional asset categories and more on the ability to originate, structure, underwrite, and manage a wide variety of transactions.

The most capable managers are likely to be those that combine sector expertise, structuring capabilities, risk management discipline, and access to a broad opportunity set spanning traditional and emerging infrastructure sectors.

Finally, investors may benefit from focusing on fundamental infrastructure characteristics rather than rigid industry definitions. The most compelling opportunities of the next decade may not always emerge from traditional infrastructure sectors. Instead, they may be found in businesses and assets that provide essential services, possess durable competitive advantages, require substantial capital investment, and generate resilient long-term cash flows.

For institutional investors, the opportunity is not merely to increase infrastructure allocations. It is to rethink how infrastructure itself is defined. Those who recognize the evolution from a narrowly defined asset class to a broader capital ecosystem may be better positioned to identify opportunities across the next generation of infrastructure investments.

[2] PGIM Infrastructure Default and Recovery Analysis, May 2026; S&P Global and Moody's, through year-end 2024. Past performance is not a guarantee or reliable indicator of future results.

PGIM CONTRIBUTORS

BRIAN THOMAS
Head of Real Assets

BILL PAPPAS
Head of Core Infrastructure

LENNART PIRO
Senior Director, Real Assets

JOHN MCNICHOLS
Head of Private Credit Investment Product & Strategy

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