How investors are looking to private markets investments to balance resilience and opportunity



John Gee-Grant

Investors remain committed to private markets, but the environment in which capital is being allocated is becoming increasingly complex. Findings from IFM Investors' latest Private Markets 700 research suggest that investors are becoming more selective in how they deploy capital, seeking to balance portfolio resilience with long-term objectives. At the same time, evolving economic conditions, shifting regional dynamics and changing expectations are influencing allocation priorities.

In addition, many investors recognise that their portfolios may not be fully equipped for the risks they are most concerned about. While 55% of investors rank inflation among their three biggest portfolio risks, only 21% say their portfolio is designed to perform across a wide range of economic conditions. This gap is encouraging investors to think more carefully about how resilience is achieved in practice and the role private markets can play in supporting it.

In this article, John Gee-Grant, Executive Director, Global Head of Client Solutions at IFM Investors, reflects on the research findings and explores how investors are navigating this balancing act, considering what it may mean for portfolio construction, client partnerships and the way investors assess opportunities across private markets.

A More Selective Investment Environment

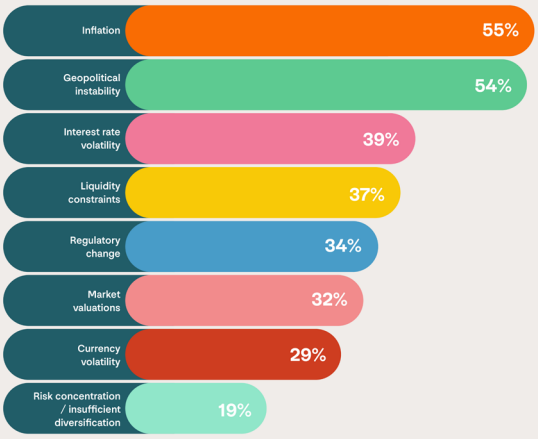
Investors today are navigating an increasingly complex landscape. Geopolitics and trade are changing at a pace not seen for a generation, and inflation is proving a persistent challenge for policymakers in many markets. According to our latest survey of 700 institutional investors, 55% consider inflation to be one of the three biggest risks to their portfolio.

As a result of these pressures, the global investment landscape is shifting, with investors open to a greater range of asset classes and investment strategies as they seek to balance resilience and growth. While investors remain committed to private markets, their focus has changed.

The proliferation of products offering a route into private markets has raised the profile of the asset class with investors. Increasingly, the question is not one of access, but selection. Investors are becoming more selective in their deployment decisions as they look for the opportunities that may help meet their strategic priorities.

Inflation is of course not the only factor shaping allocation decisions today. Its corollary – the interest rate volatility that is fuelled by monetary policy – is also among the most cited risks, as is geopolitical instability. A higher-for-longer rate environment, coupled with uncertainty over where rates may move, is leading investors to place greater emphasis on balancing differentiated risk adjusted sources of return rather than relying solely on broader market momentum.

Investors say inflation, geopolitical instability and interest rate volatility are the biggest risks to their portfolios



What are the biggest risks to your (and/or your clients') portfolio today? (Ranked 1-3)
Source: IFM Investors/FT Longitude survey.

> "The question is not one of access, but selection."

How does all this impact investor behaviour and allocation decisions? Two takeaways from our research stand out. One is the prioritisation of resilience in portfolios; the other is the pursuit of long-term investment opportunities, particularly through economic megatrends. Investors face the need to selectively deploy their capital to reach both goals.

At the same time, the thematic concentration in markets today – illustrated most dramatically by the weight of the artificial intelligence premium in global equity indices – is reinforcing the importance of diversification in investors' minds. The challenge is that this is harder than ever to achieve, such is the deep penetration of structural themes across regions and across asset classes.

This is why I believe that portfolio resilience today is about more than simple diversification across asset classes. Investors need to understand the underlying exposures within their portfolios, as the same themes and market drivers can appear across public and private markets including infrastructure, real estate and private equity. Looking through to these underlying exposures provides a clearer view of where portfolio concentrations exist. It can also help investors understand the role private markets can play in supporting portfolio resilience.

From Access to Outcomes: The Evolution of Client Needs

When it comes to private markets investing, investors are less focused today on how to get access to the asset class and more on how they can seek to achieve the specific outcomes that they want – whether that be long-term return objectives, income requirements, inflation hedge characteristics or diversification from public markets.

But the mechanics still matter; liquidity and costs remain top of mind for many. And investors increasingly want flexibility: one third of our



respondents say they are seeking more customised solutions.

In part this reflects the growing maturity of the asset class. Investors are looking for portfolios that reflect their specific objectives, governance structures and levels of in-house investment expertise. As private markets become a more established part of portfolio construction, there is growing demand for tailored approaches that can help investors access these opportunities in a way that aligns with their needs and circumstances.

Infrastructure investment offers many ways to meet the objectives that investors have today: the asset class often features long-term time horizons, income streams that may be less volatile than some other asset classes, growth and diversification characteristics and inflation hedging characteristics depending on the underlying assets.

But investing in infrastructure is also complex, highlighting the importance of supporting investors who may be at different stages of their private markets journey. Education and greater understanding around the characteristics of the asset class are part of that. Equally important is the role of partnerships. Asset owners are increasingly drawing on the expertise of investment managers, consultants and advisers to help navigate market complexity, evaluate opportunities and support informed portfolio decision-making.

Where Capital is Going Next

The focus by investors on outcomes rather than mere access is what is driving selectivity of capital allocation today. Investors tell us that their allocation decisions are becoming increasingly targeted, even if the opportunities vary by region, sector and theme. Megatrend-related investments are seen as especially important.

Investor intentions towards private markets remain positive, with infrastructure equity and private equity the leading asset classes for further investment. For example, 63% of investors told our survey that they plan to increase allocations to infrastructure equity over the next three to five years.

While themes such as AI, digital infrastructure and the energy transition continue to attract significant investor attention, allocation decisions are increasingly being shaped by how these opportunities contribute to broader portfolio objectives. Investors are looking beyond asset class labels and considering the exposures and outcomes they are seeking to help achieve.

This means that resilience, opportunity and investor needs are increasingly shaping where capital is being deployed. How that dynamic evolves is defining the investment landscape for asset owners as they seek to balance the multiple factors at play.

The New Balancing Act

What conclusions can we draw from what investors tell us? The findings of our private markets survey indicate that investor conviction in private markets remains positive, but the approach to the asset class is maturing. The choice of where to deploy capital, with whom, and the desired investment outcomes, is becoming increasingly nuanced.

What stands out is the growing sophistication of investor thinking. Increasingly, they are looking closely at the role private assets play within the broader portfolio, not just in isolation. Their key considerations today are how to define resilience, where to find it, and how to balance it against their search for long-term opportunity.

It is also clear that managers and advisors have an important role to play in helping clients answer these questions. In a more complex market landscape, the ability to understand underlying exposures and make informed allocation decisions is becoming increasingly important.

Balancing resilience with long-term opportunity may prove to be one of the defining investment challenges of the years ahead. Investors may need to counterbalance major risks like inflation and geopolitical instability with the opportunity set across several megatrends.

Their ability to successfully allocate capital and improve portfolio resilience may increasingly depend on understanding how these forces interact rather than viewing them in isolation.

About IFM Investors

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With assets under management of approximately $299.8 AUD billion (as at 30 September 2026), we serve over 908 institutional investors worldwide. IFM operates from 18 offices across Australia, Europe, North America and Asia.

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