

Megatrends create investment demand. Diversification creates resilient portfolios.

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The structural growth drivers of infrastructure are now widely recognised. The energy transition, digitalisation, supply security and demographic change are creating substantial investment needs across the globe. For institutional investors, the question is no longer whether infrastructure is an attractive asset class. The key challenge is how to translate these long-term trends into resilient portfolios capable of delivering sustainable investment success.

The recently published BAI Infrastructure Report Germany 2026 confirms the continued need for infrastructure investment and the growing importance of the asset class for institutional investors. At the same time, it highlights that access to attractive investment opportunities increasingly depends on the ability to select the right markets, fund managers and strategies. Today, the challenge is less about identifying the major trends shaping the future and more about making the right investment decisions within those trends.

Structural investment demand as a long-term driver

The long-term fundamentals of infrastructure remain compelling. Investment demand spans all infrastructure sectors, from energy and utilities to digital infrastructure, transportation, logistics and social infrastructure assets. Public budgets alone will not be sufficient to meet these financing requirements. Institutional capital will therefore continue to play a crucial role in supporting this development.

At the same time, the current market environment creates attractive conditions for long-term investors. While fundraising processes have become more prolonged and many investors have adopted a more selective approach to capital allocation, the number of available investment opportunities remains high. As a result, comparatively lower capital inflows are currently meeting a still substantial opportunity set, potentially creating more attractive investment conditions for disciplined investors.

Regardless of market conditions, however, the fundamental characteristics of successful infrastructure investments remain unchanged. Four factors are particularly important: the provision of essential services, high barriers to entry, long-term contractual protection, and effective inflation linkage. These characteristics form the foundation of resilient infrastructure portfolios and remain relevant regardless of which megatrend is currently attracting the greatest attention.

Why not every infrastructure investment is the same

The long-term growth drivers across many infrastructure segments remain intact. However, an attractive megatrend alone says little about the quality of an individual investment.

Renewable energy provides a clear example. The long-term need for investment is undisputed. Yet the economic success of a project depends on a wide range of additional factors, including location quality, grid connectivity, electricity market structures, regulatory frameworks and contractual arrangements. The underlying megatrend explains the investment demand, but not the attractiveness of the individual investment.

The same principle applies to digital infrastructure. Cloud computing, artificial intelligence and rising data consumption continue to drive demand for digital infrastructure assets. However, this does not automatically translate into an attractive risk-return profile for every data centre investment. Factors such as power availability,

network access, lease structures, technological competitiveness and valuation levels play a significant role in determining investment quality.

A similar picture can be observed in the fibre-optic sector. In some countries, near-monopoly market structures and stable regulatory frameworks create attractive conditions for investors. In others, intense competition and less supportive regulation can make sustainable value creation more challenging. Consequently, investment success depends less on the fibre theme itself and more on the underlying market structure and investment environment.

The examples from energy and digital infrastructure illustrate a broader reality across the asset class. Business models, competitive dynamics, regulatory frameworks and risk profiles can differ significantly not only within these sectors, but also across transportation, logistics and social infrastructure. Infrastructure is not a homogeneous asset class. It encompasses a broad range of markets and assets with distinct characteristics. Long-term investment success depends on the ability to analyse these differences systematically and incorporate them into portfolio construction.

Why diversification means more than asset count

Against this backdrop, diversification becomes increasingly important. However, diversification goes well beyond simply holding a large number of assets.

At first glance, infrastructure portfolios often contain a substantial number of underlying investments. Yet this alone does not guarantee a balanced risk profile. What matters is how risks and exposures are distributed across the portfolio. A portfolio may include numerous assets while still exhibiting significant concentration risks if a large share of capital is allocated to only a small number of investments.

The quality of diversification should therefore not be measured solely by asset count, but also by the distribution of portfolio exposures. A resilient portfolio should not depend on the performance of a handful of large investments or concentrated thematic bets on particularly popular market segments.

True diversification encompasses multiple dimensions simultaneously: diversification across regions, infrastructure sectors, fund managers, business models, technologies and investment vintages. The combination of these factors, together with disciplined portfolio construction that avoids excessive exposure to individual trophy assets or sectors, helps reduce concentration risk and creates portfolios capable of navigating different market environments successfully.

What defines successful infrastructure portfolios

The structural growth drivers of infrastructure remain firmly intact. Precisely because of this, the ability to assess opportunities and risks across individual infrastructure segments in a differentiated manner is becoming one of the key prerequisites for long-term investment success.

Megatrends create investment demand. Long-term successful infrastructure investing, however, emerges where structural growth meets disciplined selection and consistent diversification. The quality of an infrastructure portfolio is not determined by the most attractive megatrend, but by the ability to build a balanced and resilient portfolio from a broad universe of markets, strategies and managers.