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Welcome to 2026: The World Is Moving Extraordinarily Fast, Especially Infrastructure as an Investment



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Introduction

Every day, millions of people use ChatGPT, stream videos, and back up their phones. Few stop to ask what makes those interactions possible. Behind every AI prompt lies a network of data centers, power grids, fiber optic cables, and cooling systems: the physical infrastructure powering the digital economy. These tools have become fast and capable enough that households and businesses now treat them as necessities rather than as options. The consequences of the artificial intelligence revolution so far have been skyrocketing demand for computation and a shortage of the data centers and power needed to meet it.[1] To compensate, capital is flowing in through an array of investors and adapting financial marketplaces.[2]

Since the birth of publicly traded companies, capital markets have evolved to increase access and opportunities within financial markets. The fundamental idea of owning a portion of a company or purchasing corporate debt has allowed individuals to invest in businesses and provided the steppingstone toward creating more sophisticated instruments. In 1960, Congress introduced real estate investment trusts (REITs), which converted the previously illiquid and institution-only investment of real estate into a financial instrument for retail investors.[3] Physical assets were no longer reserved for governments and sovereign wealth funds, but were now made available to individuals through listed securities. The result has been a broader range of options for investors with differing time horizons, risk tolerances, and diversification needs.

In 2026, infrastructure is one of the latest asset classes to which the public is gaining access. Infrastructure as an investment is more complex than real estate ever was. Airports, toll roads, pipelines, power generation, and data centers all occupy one asset class, sharing little beyond their physical scale and the capital required to build them. Over the past quarter century, Wall Street has taken steps to build the financial architecture that makes infrastructure investments more accessible to individual investors. Retail investors with portfolios on brokerage platforms like Fidelity, Charles Schwab, and Robinhood now have vehicles that provide exposure to these assets through exchange-traded funds (ETFs), mutual funds, and listed infrastructure investments. Estimates of global infrastructure

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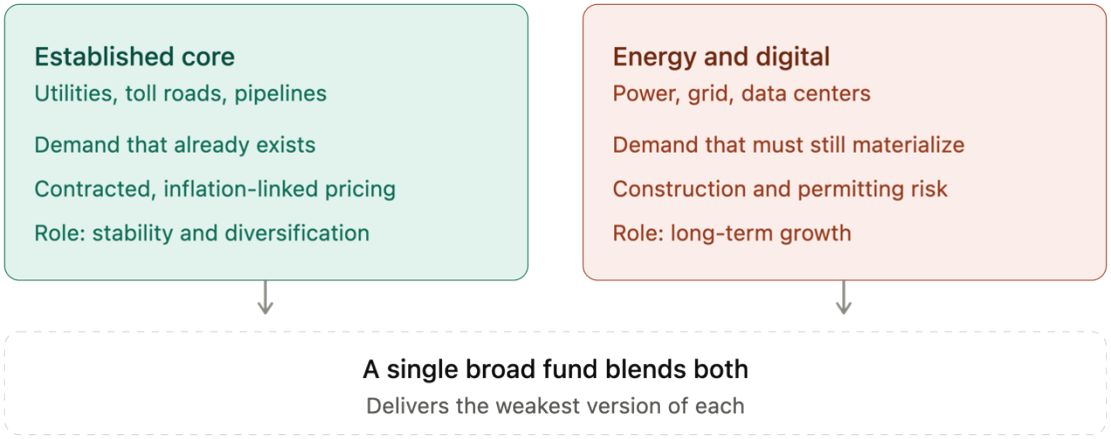
investment needed through 2040 range from roughly $94 trillion to $106 trillion, depending on methodology and sector definitions.[4] But governments and institutions cannot fund the buildout of needed infrastructure by themselves. The shortfall gets filled by public markets, and that is where young investors come in.

The next generation of wealth builders needs to properly assess the risks and rewards of having infrastructure in their portfolios, because 401(k)s, Roth IRAs, and brokerage accounts can hold funds tied to physical assets with a few clicks. Large asset managers promote infrastructure investing as an inflation-protected asset class whose performance has lower correlation with public equities.[5] Those characteristics hold up best for the established core and less reliably for the newer segments drawing the most capital, which carry operational, environmental, and cash- flow risks.[6] The transition from government-sponsored infrastructure projects to private and public markets delivers two distinct opportunities: traditional assets that offer stability and inflation protection, and newer assets that trade higher uncertainty for greater long-term growth. Therefore, we believe infrastructure investing can benefit Gen Z investors, but its two distinct components require specialized investment strategies tailored to their differing characteristics, in contrast to the blend illustrated in Exhibit 1. The difference in characteristics makes each worthy of their own funds, so that their intended effects on portfolios are not minimized or cancelled out. The decision to pursue a strategy that incorporates both elements of the industry, through separate investments, delivers the best version of infrastructure for young investors with a long-time horizon, and therefore avoiding the financial mistake displayed below.

Exhibit 1. What Happens When You Invest in Two Types of Infrastructure



Source: Claude AI and Brookfield.[7]

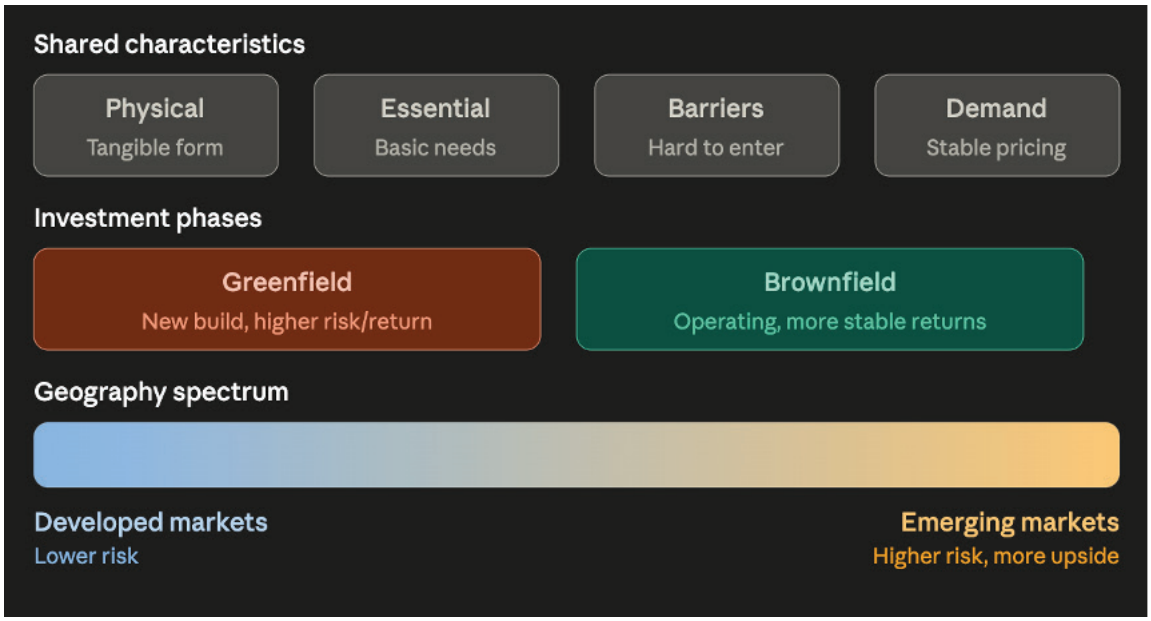
What Are Infrastructure Investments, and Where Can You Find Them?

Infrastructure is evolving quickly alongside a rapidly growing society, and for young investors, it is increasingly seen as both an inflation-hedging investment allocation and an opportunity for growth. As the US population increases, demand for traditional infrastructure such as utilities, roads, airports, and real estate is expected to rise predictably alongside it. But the definition of "infrastructure" itself is expanding. Gold has long served as the go-to inflation hedge, but in this new era of AI-driven growth, technological assets like fiber networks and cell towers have taken a seat alongside roads and utilities as core infrastructure that protects against risks to purchasing power. The scale of this shift is significant: some individual data centers are projected to consume up to 5 gigawatts of energy, enough to power roughly five million homes.[8]

The question of whether this buildout is good for society as a whole has a mixed answer. Currently, it's straining the US power systems and grid network in the short term, but it's also driving a surge in demand for renewable energy and energy transition assets that construction simply can't keep pace with, creating

a major investment opportunity in its own right. As JPMorgan notes, the US grid faces a roughly five-year backlog to add new power capacity, and most electrical transmission lines such as power lines are already over 25 years old, meaning that expanding capacity is a multiyear undertaking, not a quick fix.[9] For investors, that bottleneck is the opportunity: every year of lag between demand and grid capacity translates into pricing power for the companies building the fix, whether that's transmission upgrades, battery storage, or new renewable generation. Rounding out this expanded category of infrastructure are logistics hubs and social infrastructure, such as schools and hospitals. What makes infrastructure such a compelling investment and an inflation fighter, in our eyes, comes down to its low risk profile, shared characteristics among the many types of infrastructure, and the two investment phases, greenfield and brownfield, that an investor can step into. Exhibit 2 presents the three main ways in which infrastructure assets are categorized: by their shared characteristics, their current investment phase, and their geography. The three classifications are discussed below the exhibit.

Exhibit 2. Breakdown of Infrastructure as Assets



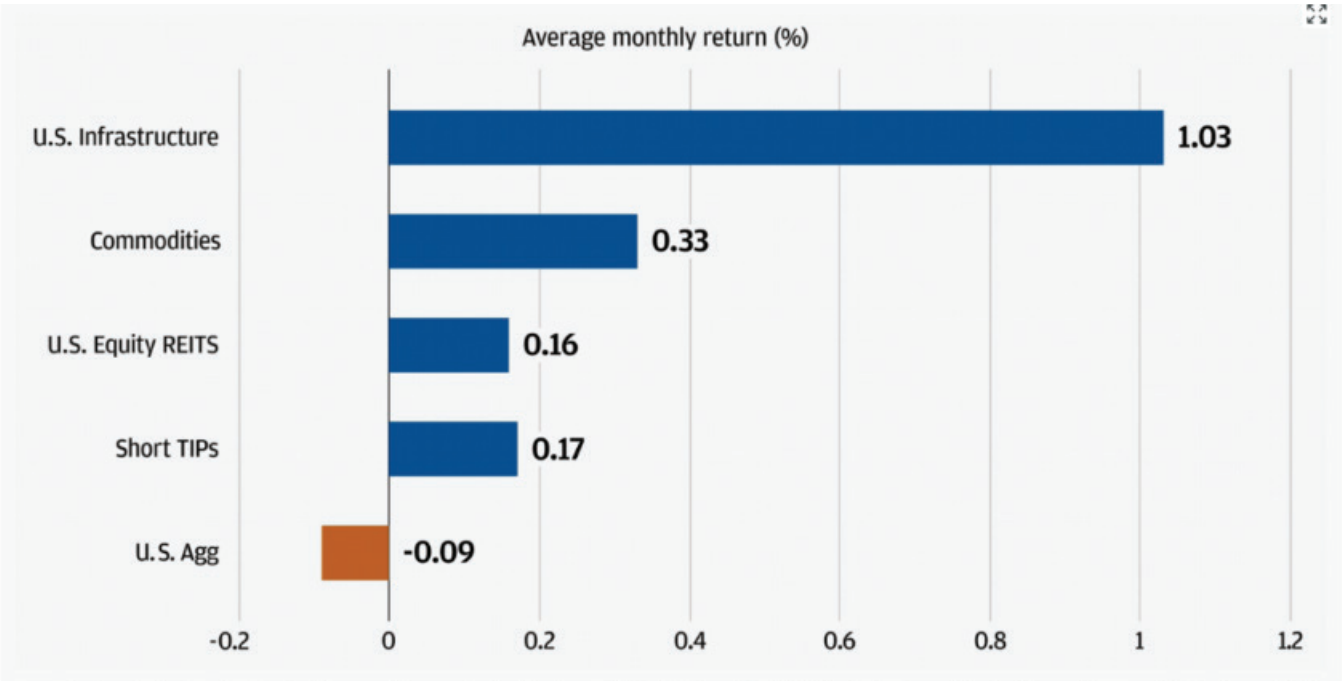
Source: Claude and Hamilton Lane.[10]

Shared Characteristics: Infrastructure assets differ widely but share four traits: they are physical, they deliver essential services, they face high barriers to entry, and demand for them stays stable regardless of price or economic conditions.

Investment Phases: Infrastructure investments fall into two phases: greenfield (new construction, higher risk/return due to high startup cost) and brownfield (operating assets, more stable returns, because the business is already up and running).

Geography: Location shapes risk too; developed markets offer lower risk, while emerging markets carry more uncertainty but higher potential upside.

Exhibit 3. Average Monthly Performance in Periods of High Inflation (2022–2025)



Source: Bloomberg, BlackRock, March 2025, as cited in "Infrastructure, the Modern Inflation Hedge."[11]

It is also worth noting that, in recent years, infrastructure has been shown to continue to deliver returns during periods of high inflation. Additionally, beyond how and where you invest, it's also worth understanding *what* you're investing in.

Schools or Cell Towers? The Infrastructure Split Every Investor Should Know About

Infrastructure splits into two broad pillars: social and economic. Social infrastructure covers the public-facing supporting assets such as schools, hospitals, parks, and government facilities that keep communities functioning, funded primarily through taxes rather than direct fees. In contrast, economic infrastructure covers the assets that people pay for directly to use them, like airports, power plants, and communications networks. That direct-fee model is what opens the door to private capital: predictable, usage-based revenue is something investors can underwrite in a way that tax-funded services aren't built for.[12] Exhibit 4 outlines the key differences between social and economic infrastructure. The most important part to take away from the exhibit is that social infrastructure benefits the greater community, while economic infrastructure promotes economic activity.

Private capital concentrates its attention on five core sectors: power and energy, data and communications, transportation and logistics, environmental services, and water and waste. Returns on this private capital remain relatively stable even as broader markets fluctuate; in turn, private infrastructure has created inflation-resistant, income-generating profile has helped drive the overall infrastructure asset class to record scale, with private infrastructure fundraising reaching nearly $200 billion globally in 2025, surpassing the previous high of $180 billion set in 2022.[14] For the first quarter of 2026, firms have raised $85 billion for private infrastructure investing.[15]

If we consider traditional infrastructure—the physical and civil facilities that form the backbone of daily economic activity—these assets are tangible, capital-intensive structures built to serve the public over long operational lifespans, and they represent the original category from which the broader infrastructure asset class has since expanded. Young investors can invest in traditional infrastructure

Exhibit 4. Two Pillars: Infrastructure That Supports Today and Builds Tomorrow



Source: ChatGPT and Hamilton Lane.[13]

through many stocks, ETFs, mutual funds, and municipal government bonds. As previously mentioned, their inelastic demand, high barriers to entry, and regulatory protections make them especially resilient in downturns, a quality that is most pronounced in traditional infrastructure. Additionally, these assets are often the oldest, most established, and most heavily regulated in the space. For this reason, traditional infrastructure tends to sit on the brownfield end of the risk spectrum: stable, contracted, and lower-risk, making it a natural starting point for investors seeking predictable, low-risk defensive cash flow.[16] This stability makes traditional infrastructure a particularly compelling entry point for Gen Z investors: with decades-long time horizons ahead of them, young investors can use traditional infrastructure as a hedge to protect more speculative positions.

As global efforts to combat climate change accelerate, demand for renewable energy has risen dramatically, reinforced by policy commitments such as the Paris Climate Accord, which more

than 130 countries have signed onto as part of a coordinated global transition to green energy. Wind and solar have become central to this low-carbon shift, driven by falling technology costs and increasingly supportive regulation; the US Energy Information Administration projects that renewables' share of US electricity generation will roughly double, from 21% in 2020 to 42% by 2050.[17] As the renewables sector matures, it is attracting increasing private capital, creating ample opportunity for investors to acquire or develop cash-flow-generating, operational renewable assets. This shift is part of a much larger capital gap, and, as previously mentioned, McKinsey estimates that $106 trillion in cumulative investment will be needed to meet global infrastructure requirements through 2040.[18] That capital is needed to fund not only traditional assets like roads, ports, and power grids, but also the next generation of infrastructure as well.

Furthermore, because public capital is often constrained by longer approval cycles and funding limitations, private investors are increasingly favored to fill this gap, with roughly half of limited partners (LPs) currently planning to increase their infrastructure allocations. Nowhere is this momentum more visible than in data centers, where the AI boom has pushed power demand into the spotlight: data centers are projected to represent 25% of total US power demand by 2030, cementing their place as one of the most dominant emerging infrastructure categories.[19] For Gen Z investors in particular, the convergence of climate urgency and AI-driven demand represents a rare alignment of values and opportunity. This gives them a chance to invest in the newly increasing renewable energy transition and technological infrastructure. By making this investment, they will rely on these assets for decades while positioning themselves in these categories when they are still in their high-growth phase.

Finally, the shift toward private capital is nowhere more evident than in the strategy of Global Infrastructure Partners (GIP), one of the world's largest independent infrastructure investors. GIP makes equity and select debt investments through dedicated infrastructure funds, giving young investors direct access to private infrastructure markets, including private AI data centers.[20] This access matters because private investments have historically been far less accessible than traditional public equity, largely due to the scale of capital typically required to invest. GIP's own portfolio reflects the breadth of the asset class, spanning energy, transport, water and waste, and digital infrastructure; today, GIP operates as part of BlackRock, managing a combined infrastructure platform with over $190 billion in assets under management.[21] Increasingly, GIP's approach also reflects a broader industry trend: the rise of "infrastructure services," where deals extend beyond simply owning physical assets to include the companies that operate and maintain them, capturing value across an asset's full life cycle.

The Roman Empire to the US Interstate Highway System: Infrastructure in the Real World

Every generation has relied on infrastructure to support its greatest economic transformations. Roman aqueducts enabled cities to flourish, railroads accelerated the Industrial Revolution, interstate highways reshaped commerce across the United States, and today data centers and power grids are enabling the rise of artificial intelligence. Although the assets themselves have evolved, an equally important transformation has taken place behind the scenes: the way these projects are financed. Understanding that shift, from primarily public financing to increasing private investment, is essential to understanding why infrastructure has evolved into a distinct asset class and why it deserves renewed attention from today's long-term investors.

For most of recorded history, governments financed and operated essential infrastructure because these assets were considered public goods, services that generated broad economic and social benefits but offered limited incentives for private investment. Governments financed roads, bridges, ports, water systems, and electric grids because these projects generated widespread economic and social benefits that private companies alone had little incentive to provide. To fund these large-scale projects, governments often issued municipal bonds, borrowing money from investors and repaying them over time with interest using tax revenues or project-generated income. This financing model enabled governments to spread the cost of long-lived infrastructure across future generations while providing investors with relatively stable returns.

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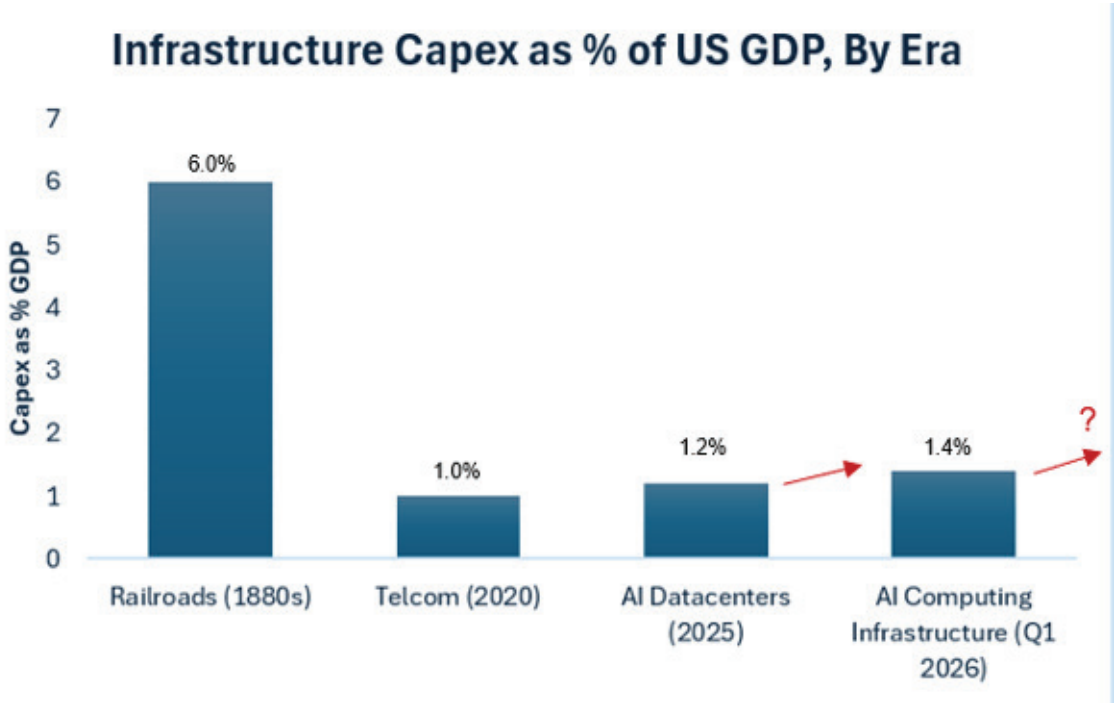
Landmark projects such as the US Interstate Highway System, initiated in 1956, demonstrate how public investment in infrastructure has generated decades of economic productivity by reducing transportation costs, expanding interstate commerce, and connecting regional economies. Like the Roman aqueducts of centuries earlier, the highway system illustrated the principle that societies build infrastructure because they depend on it. For decades, public financing successfully supported economic growth, but as infrastructure needs have expanded alongside technological innovation, the limitations of relying solely on public funding have become increasingly apparent.

Today, governments face two challenges at once: repairing and modernizing aging roads, bridges, airports, utilities, and other existing assets while simultaneously supporting an entirely new generation of infrastructure for electrification,

renewable energy, cloud computing, and artificial intelligence. Rising construction costs, public debt, and competing priorities such as health care and education place additional pressure on government budgets. Rather than replacing the public sector, private capital has increasingly become a complement to it, allowing governments and investors to share the enormous capital requirements associated with building and modernizing infrastructure. This shift has helped to transform infrastructure from primarily a public expenditure into an asset that could also be owned and financed through investment market.[22]

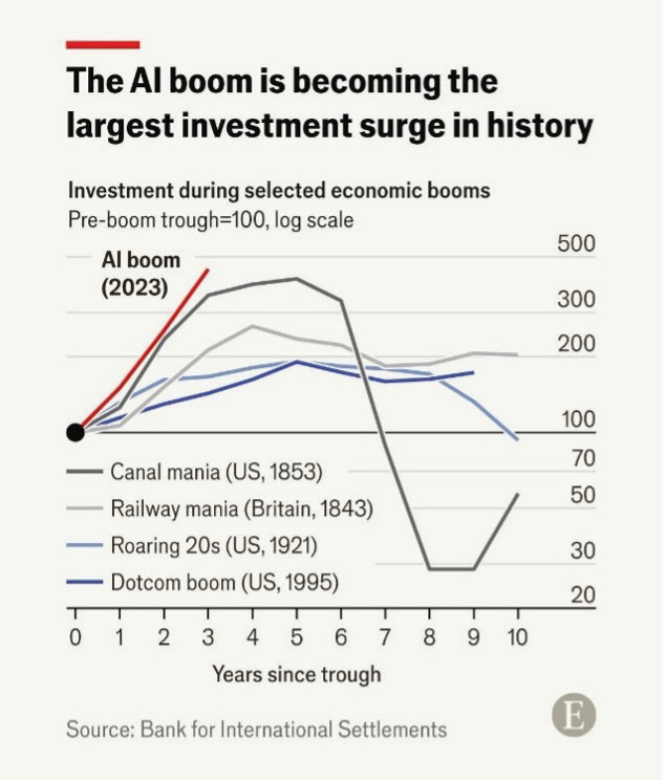
Exhibit 5, which presents four major waves of long-term infrastructure spending since the 1880s, helps to put the current AI buildout into historical perspective. Railroads represented an extraordinary infrastructure expansion in the nineteenth century, with 6% of US gross domestic product invested in railroads, while telecommunications required another major wave of physical investment around the turn of the twenty-first century. AI now produces its own infrastructure cycle. More important, the spending on long-term infrastructure relative to GDP in 2025 does not appear to represent the peak of that cycle. Epoch AI has estimated that, by the first quarter of 2026, spending on AI-related data centers, computing hardware, and networking equipment had already reached roughly 1.4% of US GDP, while computing infrastructure overall accounted for approximately 1.5%.[23] The progression from the 2025 estimate to the 2026 data suggests that the physical buildout supporting AI is not only large but still expanding.

Exhibit 5. Major US Infrastructure Investment Waves as a Share of GDP



AI-related data center investment accounted for approximately 1.2% of US gross domestic product (GDP) in 2025, making it the third-largest infrastructure investment wave in modern US history after the railroad expansion of the 1880s and ahead of the telecom buildout of the early 2000s. Adapted from Michael Allison.[24]

Exhibit 6. Investment During Selected Economic Booms



Source: Bank for International Settlements.[25]

The comparison in Exhibit 6 adds another dimension to the story. Exhibit 5 shows the scale of AI infrastructure relative to the US economy, whereas Exhibit 6 illustrates the speed at which the current investment cycle is unfolding. The current AI investment cycle has accelerated more rapidly in its early years than several previous technology-driven investment booms, including the railway, canal, and dot-com expansions. Within only a few years of its pre-boom trough, AI investment has risen faster than the early stages of the railway, canal, the Roaring Twenties, and dot-com investment cycles shown in the comparison. That trajectory does not guarantee that AI investment will ultimately generate sufficient returns, given that past infrastructure booms also demonstrate the risks of overinvestment, but it does show how quickly capital is being committed to the physical systems required by this current technological transformation.

As infrastructure investment has expanded beyond what governments can finance alone, institutional investors have increasingly recognized infrastructure as an attractive investment opportunity. Infrastructure's long-term, predictable cash flows make it particularly well suited to investors with a low tolerance for risk because of its relative safety. Canadian pension funds such as the Ontario Teachers' Pension Plan (OTTP) and the Canada Pension Plan Investment Board (CPPIB) were among the first large investors to allocate capital to infrastructure assets, attracted by their long investment horizons, stable cash flows, and inflation-linked revenues. Sovereign wealth funds soon followed, helping establish infrastructure as a distinct asset class within institutional portfolios. As investor interest grew, dedicated infrastructure investment firms emerged. Firms such as Global Infrastructure Partners demonstrated that infrastructure could generate competitive long-term returns while financing projects are essential to economic development. More recently, major asset managers, including BlackRock, Brookfield, Apollo, and Blackstone, have expanded their infrastructure platforms, reflecting a broader industry-wide shift rather than the strategy of any single firm. This evolution has fundamentally changed the role of infrastructure in financial markets. No longer viewed solely as a public necessity, infrastructure has become a strategic allocation capable of providing diversification in one's investment portfolio, stable income, and long-term growth alongside traditional stocks and bonds.

> **"Previous generations primarily funded infrastructure through taxes, whereas today's investors have the opportunity to own a stake in the systems powering tomorrow's economy."**

Artificial intelligence has accelerated infrastructure investing by creating demand for an entirely new generation of physical assets. Every AI model relies on data centers, high-capacity power grids, fiber optic networks, semiconductor facilities, and renewable energy systems to operate at scale. Unlike previous infrastructure cycles, these investments require unprecedented amounts of capital and must be deployed rapidly to support growing computational demand. Governments continue to play a central role in planning and regulating these projects, but public funding alone is unlikely to meet the scale of future investment

needs. As a result, private capital has become increasingly important in financing the infrastructure that will support the next wave of technological innovation. For Gen Z investors, this represents a significant shift. Previous generations primarily funded infrastructure through taxes, whereas today's investors have the opportunity to own a stake in the systems powering tomorrow's economy. This evolution explains not only why infrastructure has become an attractive investment, but also why new investment vehicles have emerged to make the asset class more accessible.

Many Ways to Get Investment Exposure to Infrastructure, With as Many Variations in the Outcome

Today there are plenty of avenues to incorporate infrastructure into individual investors' portfolios. Prior to the democratization of investment vehicles over the past twenty-five years, only sovereign wealth funds and pension plans had the ability to invest in physical capital—tangible, manmade assets by which economies create goods and services. The market has shifted from solely private opportunities to both private and public options. Many individual stocks have the liquidity and publicly available financial information to make them suitable for investors of all sizes. The integration of infrastructure exposure into high-volume reputable stocks and bonds has allowed infrastructure ETFs and mutual funds to emerge. In 2026, there are now infrastructure opportunities in both private and public spaces. Now the infrastructure market is no longer a hypothetical, but rather a reality that anyone with an investment account can access.

As with any other product in both private and public spaces, there are inherent trade-offs. The liquidity of the public trading market allows for low or no investment minimums, along with daily liquidity. The increase in retail investors and easy exits and entrances into the market has led to higher volatility and greater correlation with public equities. Many private projects or systems have limited information available, releasing financial updates only quarterly and making valuations infrequent and appraisal-based rather than continuous. Conversely, public firms' daily trading prices fluctuate heavily because of the relative availability of information and the frequency of new headlines. It is also worth noting that compared to the swift coming and going of investors in public markets, private investments require long-term commitments toward financing projects. Lockup periods, during which invested capital cannot be withdrawn, range from several years to multiple decades. That constraint is what allows private managers to hold assets through market cycles without being forced to sell, but it also means the investor, not the manager, bears the cost of illiquidity.

> **"Each investment vehicle has different levels of convenience for different investors; however, it is important to understand that as the fund structure changes, so does the investment itself."**

A range of vehicles exists to meet investors with their desired level of liquidity and sophistication. ETFs and index funds, which pool capital and invest broadly in infrastructure companies, are the most straightforward option because they trade at a high volume when markets are open and commonly have no minimum investment. They are the most transparent of the infrastructure investment options and allow investors to enter and exit at their discretion. Listed partnerships and operating companies provide similar levels of access, with examples including Brookfield Infrastructure Partners; however, they are active managers, meaning that they buy infrastructure projects, enhance the operations, and then sell them for a premium. The asset management firms prevent retail investors from influencing the firms' specific investments, while still offering investors the convenience of trading on an exchange. Another type of investment, semiliquid private vehicles, allows young investors to continue to see an increase in access and a decline in capital minimums. What's more, semiliquid funds are legally required to offer repurchases, between 5% and 25% of fund shares, at intervals of three, six, or twelve months, whereas tender-offer funds make repurchases at the board's discretion.[26] Limited redemption reduces forced-selling pressure on managers, which supports fund stability. In return, there is more pressure on semiliquid funds to compensate investors with a higher return for limited liquidity. Compared to ETFs or listed partnerships, semiliquid funds provide more administrative complexity. On the spectrum of infrastructure options, closed-end drawdown funds are the least friendly for

individual investors. Unlike semiliquid funds, which lock up investors' money for months, they typically lock up capital for a decade or more, with minimum investments in the millions. Institutional money dominates drawdown funds because of the scale and commitment of the capital required.

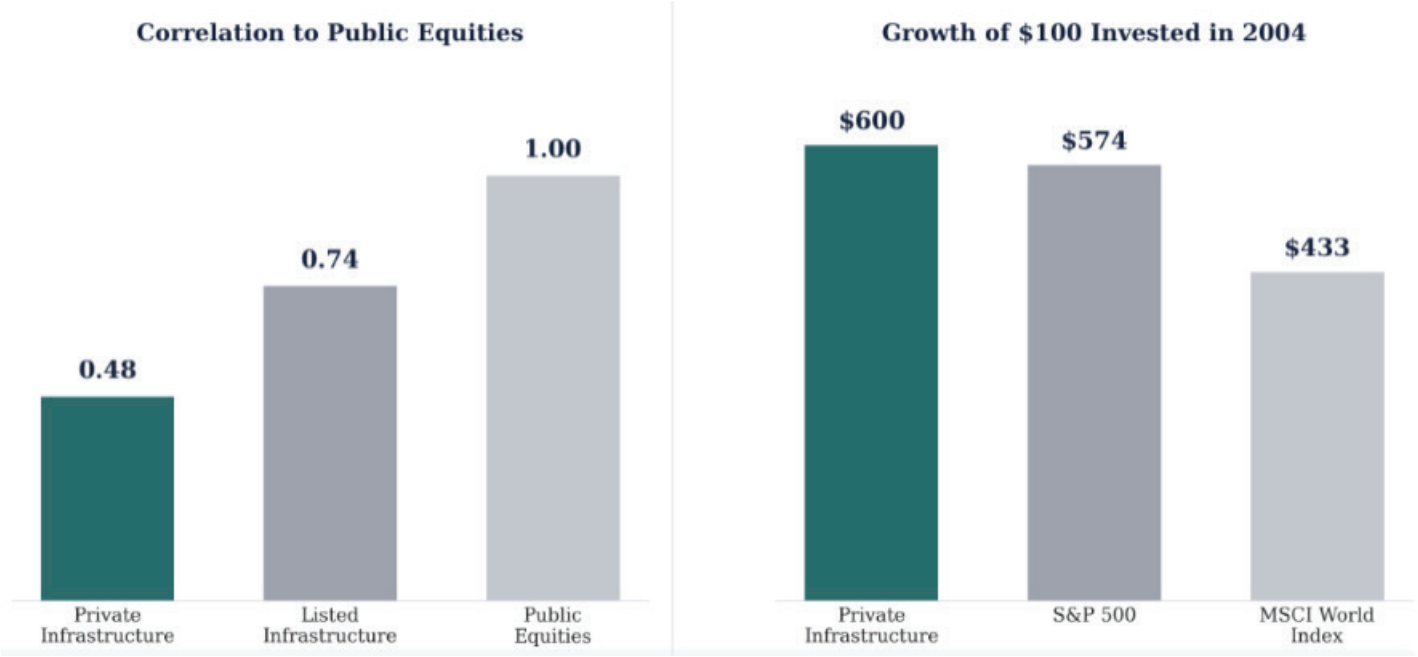
Each investment vehicle has different levels of convenience for different investors; however, it is important to understand that as the fund structure changes, so does the investment itself. These investment opportunities are constantly being repriced on exchanges during trading hours and can see sudden shifts in valuations based on company expectations and larger market sentiment. In contrast, private infrastructure is not beholden to daily market volatility. Lower liquidity in the private space is associated with significantly less correlation with public equities, meaning the diversification benefit that asset managers promote is substantially a private-market phenomenon.[27] Therefore, an infrastructure ETF is closer to an equity allocation than to an uncorrelated real asset. Even funds that provide only periodic liquidity, such as evergreen vehicles, will increase their exposure to public markets because they must keep a portion of their funds in highly liquid securities.
The depth of exposure to infrastructure varies depending on the type of investment, as shown in Exhibit 7. The most liquid, accessible vehicles, such as ETFs and index funds, provide the weakest version of what infrastructure is marketed as providing to investors. Infrastructure's strongest benefits are in closed-end drawdown funds, but those funds impose lockups, capital calls, and high investment minimums. Most individuals cannot enter the traditional private fund space, due to the high barriers of entry, meaning their true exposure to real assets depends on which option of the other options they choose. Understanding infrastructure means understanding not only which assets sit in the portfolio, but which investment holds them.

Exhibit 7. Characteristics of Infrastructure Investment Options Gen Z

	ETFs and index funds	Listed partnerships	Semi-liquid vehicles	Closed-end drawdown
Liquidity	Daily	Daily	Periodic repurchase offers, capped	None until wind-down
Minimum investment	None	None	As low as $500	Millions
Valuation	Continuous market price	Continuous market price	Periodic appraisal	Periodic appraisal
Management	Passive index	Active operator	Active private manager	Active private manager
Examples	PAVE, IFRA	Brookfield Infrastructure Partners	Interval and tender-offer funds	GIP flagship fund series
Typical investor	Any individual	Any individual	Individuals, small funds	Pensions, sovereign funds

Source: Hamilton Lane and Chapman and Cutler LLP. [28]

Exhibit 8. Private Infrastructure Moves Independently of Stocks



Source: ChatGPT, using data from Ares Wealth Management and Mercer.[29]

Investing in Infrastructure Is Not Easy, but the Solution Is Simple

The evidence is mixed regarding infrastructure's reputation as a stable, inflation-protected, long-term investment. Historically, private infrastructure has delivered equity like returns with lower volatility and less exposure to public market changes, while traditional assets such as utilities, roads, and regulated networks have offered some of the clearest inflation-linked cash flows. These characteristics can make infrastructure particularly relevant for Gen Z investors who are just beginning to build wealth and are looking for both stability and long-term growth. However, these benefits are not consistent across all types of infrastructure investments, so treating all infrastructure investments the same can overlook important differences between traditional, brownfield infrastructure and newer energy and digital segments driven by future growth expectations.

Exhibit 8 provides evidence for this distinction. Using correlation data from Ares Wealth Management and data from Mercer on how $100 invested in 2004 would have grown by 2024, it compares how private infrastructure, listed infrastructure, and public equities have behaved, both in how closely they track the stock market and in how much they've grown over time.

As Exhibit 8 shows, data from Ares Wealth Management show that private infrastructure had a 0.48 correlation with public equities through the fourth quarter of 2024, compared with 0.74 for listed infrastructure. This lower correlation means private infrastructure has moved more independently from the stock market, making it a useful tool for diversification. Long- term performance data also reinforces this point. According to Mercer, $100 invested in private infrastructure in 2004 would have grown to more than $600 by 2023, compared with approximately $574 in the S&P 500 and $433 in the MSCI World Index.[30] Private infrastructure has achieved these returns with lower annual volatility. However, these results come mostly from established assets and not from the higher energy transition and AI-linked projects now attracting the bulk of new capital.

Taken together, this evidence suggests that infrastructure can play a valuable role in a long-term portfolio, but the type of infrastructure matters more than ever, particularly for a young investor entering the market. Although infrastructure has historically offered returns comparable to major stock indices with lower volatility, its ability to provide diversification and inflation protection is no longer consistent across all sectors. This means the traditional narrative of infrastructure as a uniformly safe and stable investment no longer applies. Traditional assets that

can pass rising costs on to consumers remain in a stronger position, but many emerging infrastructure investments face increasing construction and operating costs without guaranteed pricing flexibility. As a result, the risks associated with these newer sectors may not be fully reflected in historical performance data, creating a gap between perceived and actual stability.

> **"Although infrastructure has historically offered returns comparable to major stock indices with lower volatility, its ability to provide diversification and inflation protection is no longer consistent across all sectors."**

Additionally, much of the recent growth in infrastructure investment is concentrated in newer sectors where stability, pricing power, and inflation protection are less certain. That concentration of capital in higher-risk segments creates a mismatch between the way infrastructure is marketed and the way newer infrastructure vehicles behave.

At the same time, the way capital is being allocated further reinforces this shift in both risk and opportunity. McKinsey estimates that energy and power infrastructure will require approximately $23 trillion in investment through 2040, whereas data centers may require nearly $7 trillion through 2030.[31] These figures cover different time horizons, but that difference is important: data centers are expected to absorb a significant amount of capital over a much shorter period, making the pressure to build and deploy more immediate. Energy and digital infrastructure already account for approximately 75% of private infrastructure deal value even though they represent around 40% of total infrastructure investment needs.[32] Capital is flowing disproportionately into the newer, faster-growing segments, even though those are the segments with the least-tested track record. For young investors, this imbalance is important because it shows where the market expects growth to happen, not necessarily where the safest returns will come from. Traditional infrastructure still offers the stronger evidence of consistent, inflation-protected performance, while energy and digital infrastructure offer the bigger growth opportunity, just with more uncertainty attached.

A primary reason for this change is the rapid growth of artificial intelligence. Increased use of AI requires significantly more computing power, which in turn increases demand for data centers and electricity. Meeting this demand requires expanded power generation, but also greater grid capacity and new transmission infrastructure to deliver electricity where it is needed. Renewable energy and battery storage are also becoming essential components of this system as overall electricity consumption continues to rise. According to the International Energy Agency, an estimated $400 billion is spent on electricity grids globally each year, and total investment in the electricity sector is set to reach roughly $1.5 trillion in 2025.[33] That scale of investment reflects real, structural demand, but for Gen Z investors, who are encountering this asset class for the first time, it's worth separating the two: strong demand for electricity and computing power does not automatically translate into strong or reliable investment returns.

Renewable energy and battery storage projects face their own challenges as their returns can be influenced by changes in government regulations and tax incentives, and battery storage remains a relatively undeveloped market. Data centers also face scrutiny from communities due to concerns about electricity usage, water consumption, environmental impact, and rising energy costs. These concerns can delay or even prevent projects from moving forward. In fact, community opposition has already become a measurable barrier. A 2025 study by Data Center Watch found that an estimated $98 billion in data center projects were blocked or delayed between late March and June 2025, compared with $64 billion blocked or delayed over the period from 2023 to early 2025.[34] Several states have introduced legislation in response: North Carolina advanced the Ratepayer Protection Act, which sets requirements for data center siting and operation to shield other utility customers from the resulting costs, while New York introduced the Sustainable Data Centers Act to regulate data center energy consumption.[35] For young investors, this means that the upside of investing in energy and digital infrastructure is real, but so are the

policy and community risks that can erode returns even when demand keeps growing.

A key challenge for young investors is that the demand for infrastructure is increasing faster than the ability to build it. Larry Fink, chairman and chief executive officer of BlackRock, has framed the problem the same way, noting that new power generation and transmission take years to bring online even as demand accelerates.[36] This observation highlights an important reality: the availability of capital alone does not guarantee strong returns. Projects must still secure electricity access, obtain regulatory approval, complete construction, and begin operations before investors can be sure of benefiting from rising demand. For this reason, newer infrastructure sectors should not be expected to behave in the same way as traditional infrastructure assets. Traditional infrastructure relies on established, predictable demand, whereas energy and digital infrastructure depend more heavily on future growth in electricity consumption and computing needs, as well as the successful development of supporting systems. Although this creates a larger growth opportunity, it also introduces greater uncertainty. The result is a split inside the asset class where one half behaves like a steady, cash-generating holding while the other half behaves like a growth investment that is tied to future demand for electricity and computing.

Furthermore, the scale and duration of the investment opportunity that infrastructure provides make a compelling case for continued investment, even with the risks involved. Energy and digital infrastructure are not dependent solely on the success of individual technologies or companies. Instead, they are supported by the same structural demand for power and computing discussed earlier in this paper, demand that creates multiple layers of investment opportunity across the infrastructure market. For Gen Z investors, this means that a portfolio built only around traditional infrastructure misses out on that growth, while a portfolio that leans only on energy and digital assets misses out on the stability traditional infrastructure provides. Exhibit 9 breaks down why each side of that split matters.

Exhibit 9. The Trade-Offs between Traditional and Energy & Digital Infrastructure

	Traditional infrastructure	Energy & digital infrastructure
Correlation to public equities	Low*	Likely higher; not separately measured
Volatility	Historically low	Likely higher; shorter track record
Pricing protection	Often strong, via contracts or regulation	Less consistent across assets
Primary risk	Regulatory / rate of return caps	Construction delays, grid bottlenecks, local opposition
Growth potential	Moderate, steady	Higher, structurally driven
Role in a Gen Z portfolio	Stability foundation	Focused long-term growth allocation

*Private infrastructure overall: 0.48 correlation with public equities vs. 0.74 for listed infrastructure (Ares, Q1 2002 to Q4 2024). Author's analysis.

Source: Claude AI, using data from Ares Wealth Management[37]

As shown in Exhibit 9, the forces driving energy and digital infrastructure are structural and expected to persist for decades, which aligns well with the longer investment horizons of those who are still building their portfolios. A longer time horizon doesn't eliminate risks like construction delays or regulatory changes, but it does give investors more time to benefit from that long-term structural growth. Exhibit 9 also makes clear why these two segments shouldnt be blended into one broad strategy. Traditional infrastructure offers the stability, predictable pricing, and lower correlation with public equities that make it a strong foundation for a portfolio. Energy and digital infrastructure trades that stability for higher growth potential, but its risks are less proven and harder to predict. Blending the two into a single fund only blurs what makes each one useful. For Gen Z, the most effective approach is therefore not choosing between stability and growth, but understanding how each can serve a different purpose. A long investment horizon allows young investors to tolerate some uncertainty, but that does not make risk irrelevant. Infrastructure can be a valuable component of a long-term portfolio when investors look beyond the label of the asset class and consider what they actually own, how it is financed, and what risks drive its returns. As infrastructure continues to evolve alongside the economy, that distinction will become increasingly important for the generation investing in it.

Authors' Note

Our paper examines infrastructure and whether it is a suitable investment opportunity for Gen Z investors given their lengthy time horizons. Throughout the summer, we investigated traditional projects, such as tolls, roads, and bridges, as well as energy and digital options, and concluded that both had the potential to add diversification to portfolios; however, the two have different risk and return characteristics. Therefore, we believe Gen Z must be intentional when investing in infrastructure and understand the traits of their specific investment opportunity. In this snapshot, we outline the trade-offs between different new and old infrastructure, along with our analysis of the exposure that different vehicles provide relative to equities and uncorrelated assets.

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