VAN LANSCHOT KEMPEN

INVESTMENT MANAGEMENT

Mega-trend 3
Deglobalisation

Fueling emerging infrastructure

For Professional Investors only

Scale as a strategic advantage

With a global population exceeding eight billion, nearly seven billion people live in countries classified as emerging markets[1].

The sheer size of emerging markets is more than just a backdrop; it's central to the investment case. Infrastructure: power, transport, and communication, forms the foundation of modern economies. In our view, the scale and pace of development in emerging markets, combined with the shifting dynamics of deglobalisation, present a structural opportunity for global infrastructure investors.

As global supply chains fragment and regionalisation accelerates, emerging markets are becoming focal points for infrastructure investment aligned with new patterns of trade, production and connectivity.

Jags Walia
Head of Global Listed Infrastructure strategy

What does deglobalisation mean for infrastructure investors?

The shift away from globalisation is reshaping how and where capital is deployed. As global supply chains fragment and trade relationships shift, infrastructure investors are rethinking regional exposure, resilience, and long-term growth.

In emerging markets, this shift is accelerating:

- ✓ Supply chain diversification is creating demand for new logistics and manufacturing hubs
- ✓ Intra-regional trade is gaining momentum, reducing reliance on traditional Western blocs
- ✓ Energy and digital infrastructure are being built with strategic autonomy in mind

This shift is prompting investors to reconsider how infrastructure fits into a world that's becoming more regionally focused and less globally connected.

Why infrastructure in emerging markets?

Infrastructure has long been prized for its long-term, inflation-linked cash flows. In many emerging markets, these characteristics are frequently amplified by stronger growth trajectories and the potential to leapfrog legacy systems. These economies are not simply replicating developed market models. They are accelerating forward, often adopting the latest technologies without the burden of outdated infrastructure.

For long-term investors, this could create a compelling combination: visibility of cash flows, a higher level of protection against inflation, and exposure to secular growth. The relatively later starting point of many emerging markets extends the runway for infrastructure investment and allows for more agile adoption of next-generation systems.

This is the second in a series of three reports into the impact of the mega-trends on infrastructure investing. Visit our website to receive the follow-up reports straight to your inbox at: [Infrastructure opportunities | Van Lanschot Kempen IM]

Mega-trend 1 – Digitalisation
Mega-trend 2 – Decarbonisation

Consider the scale of the opportunity:

- ✓ **Nine of the ten fastest-growing economies** in the past five years are in emerging markets[2].
- ✓ **Eight of the ten largest cities** globally are in emerging markets[3].
- ✓ **Nine of the top ten counties investing the highest share of GDP** infrastructure are in emerging markets[4].

While the broader case for investing in emerging markets: the potential for faster growth, diversification and attractive valuations is well understood, infrastructure sectors are poised to benefit most directly from these dynamics. This trend is reinforcing the move toward regionalisation by encouraging self-sufficiency and accelerating investment in local infrastructure systems.

Power infrastructure: utilities and pipelines

Energy security and Energy Transition

In emerging markets, energy security is a daily concern. This creates tangible opportunities for infrastructure investors, particularly in utilities focused on power generation and water services. Demand for reliable electricity is rising in step with economic growth, and the ambition to lift millions into the middle class.

Rolling blackouts remain a visible reminder of the infrastructure gap, where electricity is rationed due to insufficient supply, which highlight the scale of the investment gap. All ten of the largest unplanned power outages in recent years occurred in emerging markets underscoring the urgency of investment. In response countries such as China are scaling up power capacity at pace, not only to meet domestic needs but also to reinforce industrial competitiveness on the global stage.

The role of gas in the energy transition

Natural gas is a cornerstone of the energy transition. Cleaner than coal and reliable when renewables underperform, it is also widely available across many emerging markets. In Argentina, domestic gas development is helping reduce reliance on imports. In the Middle East, investments in pipelines and LNG terminals are expanding to meet Europe's demand for diversified energy sources.

These developments are also about resilience. For investors, they could represent long-term opportunities in power generation, processing and transportation infrastructure, assets that sit at the intersection of energy security and geopolitical relevance.

Transport infrastructure: moving people and goods

The rise of the middle class

The emerging market middle class is growing rapidly. From 354 million households in 2024, this figure is expected to almost double over the next decade[5]. As incomes rise, mobility patterns shift. The first car, the first train journey, the first flight, each milestone drives sustained growth across toll roads, passenger rail, and airports.

For infrastructure investors, this could translate into long-duration assets with embedded volume growth and greater visibility on future cash flows. The contrast with developed markets, where middle-class expansion has slowed, makes the relative opportunity even more compelling.

Freight and trade: the manufacturing shift

Emerging markets remain the world's manufacturing engine. As production scales, so does the need for efficient freight and port infrastructure.

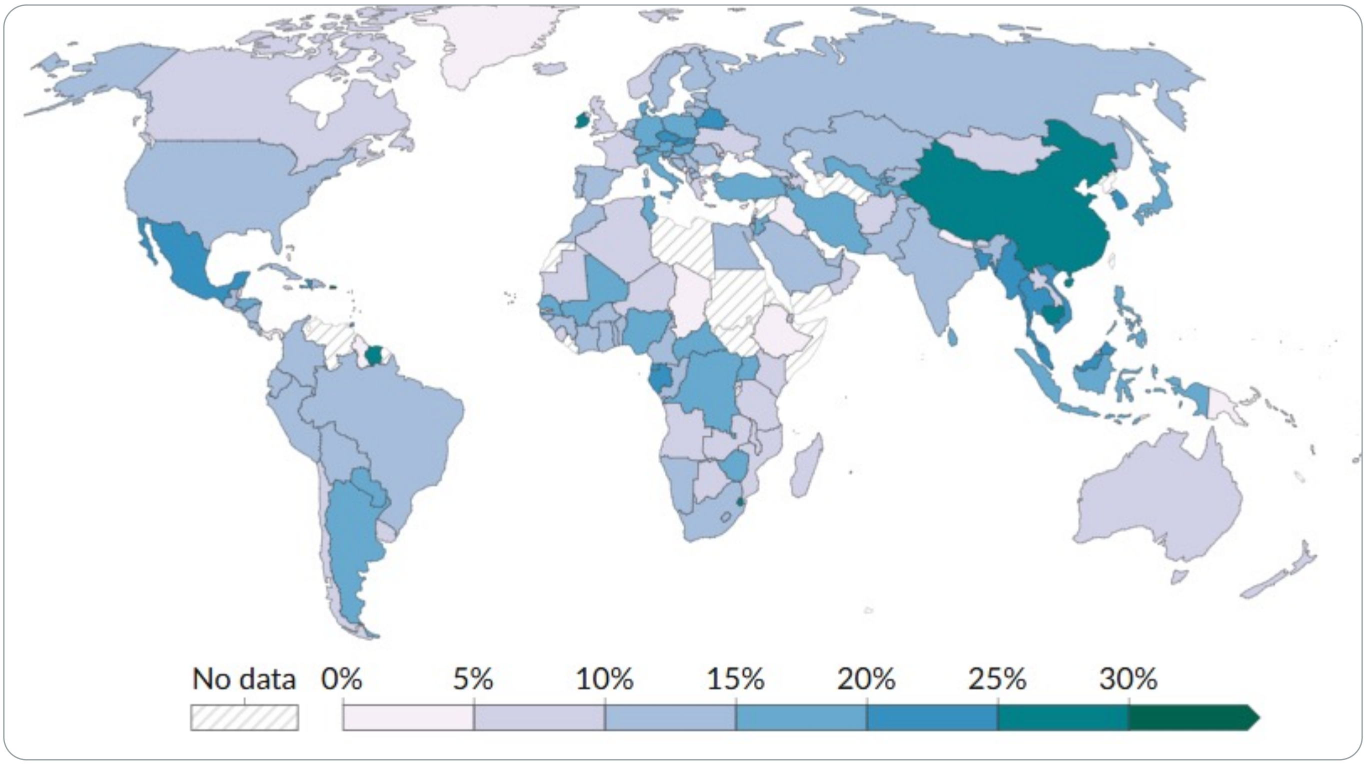
These sectors, often peripheral in services-led economies, are central to the next phase of global trade. Deglobalisation is prompting a reconfiguration of trade routes and supply chains, positioning emerging markets as critical nodes in a more regionalised global economy.

Two structural shifts are reshaping trade routes:

1. Western economies are diversifying supply chains to reduce exposure to single-country dependencies.
2. Emerging markets are deepening intra-regional trade, forging new partnerships beyond traditional Western blocs.

Recent examples include trade agreements between the Gulf Cooperation Council and the ASEAN bloc, which are catalysing new infrastructure corridors. These developments are increasing demand for logistics hubs, ports and intermodal transport links. For investors, this could create opportunities to access long-term growth in sectors that underpin the evolving structure of global trade.

Global share of manufacturing as % of GDP



Sources: Share of manufacturing in gross domestic product (GDP), 2023

Communication infrastructure: a digital-first world

Emerging markets are also laying the foundations of a truly digital economy. Investment in communication towers, fibre networks, satellites, and data centres are accelerating, enabling these regions to scale rapidly and efficiently. Deglobalisation is reinforcing the need for digital sovereignty and regional data infrastructure, further supporting this investment momentum.

Many have leapfrogged legacy systems entirely. The mobile phone revolution is a clear example, with countries bypassing fixed-line infrastructure and moving directly to mobile networks. A similar pattern is now unfolding in 5G, where China alone accounts for 60% of the world's 5G towers. (*source: Chinese govt, 2024).

The rise of artificial intelligence is adding further momentum. As global operators diversify their data center footprints, countries like Malaysia and Indonesia are emerging as regional hubs. This shift supports not only digital infrastructure but also the energy systems that power it, creating a multiplier effect across sectors.

Closing the gap

Infrastructure in emerging markets is no longer defined by what is missing. It is increasingly shaped by what is possible. The scale of demand, combined with the ability to adopt new technologies and the strategic shifts driven by deglobalisation, is creating real momentum. What was once a structural gap is becoming a strategic advantage.

For investors, this represents more than a thematic opportunity. It is a long-term allocation decision. The ability to align capital with progress, in regions where infrastructure is both a necessity and a catalyst, could offer a compelling proposition. As global infrastructure investors we are committed to capitalising on this opportunity to the benefit of our clients.

Investing in emerging markets involves a distinct set of risks. Regional and political instability, inconsistent regulation and system inefficiencies can all contribute to uncertainty and limited transparency for investors and investee companies. These are also the regions where infrastructure needs are most urgent, and where long-term value can be uncovered. Our focus is on managing risk with discipline, protecting capital, and identifying resilient opportunities as we guide our clients through the structural shifts shaping global infrastructure.

Listed Infrastructure: general risks to take into account when investing in Listed Infrastructure strategies

Please note that all investments are subject to market fluctuations. Investing in a Listed Infrastructure strategy may be subject to country risk and equity market risks and risks specific to the infrastructure market, which could negatively affect the performance. Under unusual market conditions the specific risks can increase significantly. Historic data for similar investment vehicles indicates that the strategy can carry an aggressive level of risk. Potential Investors should be aware that changes in the actual and perceived fundamentals of a company may result in changes for the market value of the shares of such company. The strategy is allowed to invest in financial derivatives and (short-term) money market instruments. Currency exposures may be hedged.

The value of your investment may fluctuate, past performance is no guarantee for the future. Do not take unnecessary risks. Before you invest, it is important that you are aware of and are informed about the characteristics and risks of investing. This information can be found in the available documents of the strategy and/or in the agreements that are part of the service you choose or have chosen.

Profile of the typical investor in Listed Infrastructure strategies: The strategy may be suitable as a core or supplemental investment for those:

- interested in a convenient way of gaining exposure to global listed infrastructure companies (international equity markets);
- seeking long-term growth of their investment (5 years or longer);
- who can bear the possibility of significant losses, especially in the short term.

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References

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2 IMF, World Economic Outlook Databases.
3 UN, World Population Prospects 2024 | Population Division).
4 World population review, Infrastructure Spending by Country 2025)
5 Oxford Economics: "The Future of the Middle Class in Emerging Markets", October 2024

Kom verder
{moving · forward · together}

There's a saying in Dutch, Kom verder, which has many meanings including 'moving forward together'. But it's more than a phrase to us. It's our company philosophy and how we work with clients to deliver the right investment solutions for them.

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