

An aerial photograph of a long bridge spanning a river with turbulent rapids. A single car is visible on the bridge. The water is a vibrant turquoise color with white foam from the rapids. The bridge is a multi-lane highway bridge.

Bridging the gap:

the opportunity for Australian pension capital in the UK and Europe

October 2025

IFM Investors 

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Executive summary

Australia has built one of the world's most successful pension systems

With A\$4.3 trillion (£2.1T; €2.4T) in assets under management as of June 2025, Australian pension funds form the fourth-largest pool of retirement savings globally, behind only the US, Canada and the UK. Assets have grown strongly over the past two decades, supported by mandatory contributions, preservation rules, and competitive fund structures. Total inflows of around A\$4 billion (£2.0B; €2.2B) each week will continue to drive this rapid system growth. By 2035, the Australian pension system is estimated to reach A\$8.3 trillion (£4.1T; €4.6T) and will likely be the largest outside of the US.

As the system has matured, Australian pension funds have steadily expanded their international allocations to help diversify risk and access the best investment opportunities globally. In the past decade, overseas investment has increased to nearly half of pension funds' portfolios. This is set to increase further, with nearly 60 cents of every new Australian dollar contributed to Australian pension funds invested globally.

This report reveals that the UK and European Union (EU) together represent the second-largest international destination for Australian pension capital after the US, through analysis of funds' portfolio holdings disclosures and other data sets. As of mid-2025, Australian pension funds had invested A\$264 billion (£129B; €147.9B) in the region, including A\$83 billion (£40.6B; €46.5B) in the UK and A\$181 billion (£88.5B; €101.4B) in the EU. This is equivalent to nearly one in every five dollars invested overseas by these funds. Public market investments dominate this exposure, but private market investments – including infrastructure, private equity, and real estate – are significant and growing. These are dominated by unlisted infrastructure assets, which represent over half of private markets investments in the UK and EU. Total investment is set to more than double over the next decade to over A\$660 billion (£323B; €370B), including A\$203 billion (£99.2B; €113.7B) in the UK and A\$460 billion (£224.8B; €257.7B) in the EU.

Australian pension funds have deep expertise in infrastructure, which positions them as natural partners in meeting Europe's investment needs. Australian institutional investors were pioneers in this asset class in the early 1990s. Australia's strong political stability and substantial

pension fund assets—collectively larger than the world's biggest sovereign wealth funds—make it an attractive source for trusted capital. Today, Australian capital is supporting Europe's energy transition, digital infrastructure and transport renewal, with significant allocations into transport, renewable energy and storage projects and industrial decarbonisation across Europe, fibre-to-the-home broadband in Germany, and transport and energy projects in the UK.

The investment opportunity in infrastructure is substantial: the UK faces a shortfall of up to A\$4.1 trillion (£2T; €2.3T), while the EU faces a capital gap of more than A\$7.1 trillion (£3.5T; €4T) to 2030. Australian funds are well placed to help close these gaps with long-term, patient capital. Based on current trends, Australian investment into the UK and EU is expected to grow by more than 10 per cent per year to 2035, with scope for faster growth if deeper partnerships and policy reforms are achieved. This would benefit Australian pension fund members, who would have access to some of the largest and most attractive infrastructure deals in the world, and European governments and taxpayers who could leverage long-term pension capital investment to reduce the burden on public balance sheets.

UK and EU governments can better attract this capital investment by evolving their policy settings. Streamlining regulation, accelerating planning and permitting, expanding Public-Private Partnership (PPP) models, and ensuring predictable revenue settings in sectors such as energy, water, and transport will be critical. The UK government has put infrastructure, housing and commercial development front and centre of its growth agenda, with an active program of supply-side reform to attract private capital, particularly into regions outside of London and the South East. European governments, including France and Germany, are also putting in place reforms to mobilise greater private investment. With these conditions in place, Australian pension funds are well positioned to become long-term partners in financing Europe's infrastructure, energy transition, and digital transformation. This would support jobs and growth across the region while delivering strong returns for Australian workers' retirement savings.



1.

From savings to global investment: the rise of Australia's pension capital

1.1

Australia has one of the largest and fastest growing pools of pension assets in the world

The modern Australian retirement savings system, known as superannuation or 'super', began in the 1980s.¹ During this period, industrial bargaining saw a growing number of employers making contributions to pension funds on behalf of employees as part of wage settlements.² In 1992, the government introduced the Superannuation Guarantee, which mandated minimum employer contributions for almost all workers.³ Since then, the system has matured, with accumulation funds largely replacing defined benefit schemes, coverage expanding, contribution rates increasing, and regulatory frameworks continuing to evolve.⁴

Today, Australia has built the fourth largest and fastest-growing pool of pension assets globally. Australian pension funds collectively manage approximately A\$4.3 trillion (£2.1T; €2.4T) in assets as of June 2025,⁵ behind only the United States (US), Canada, and the United Kingdom (UK).⁶ Assets under management have increased rapidly over the last two decades, with Australia recording the strongest growth in total assets among comparator countries (Exhibit 1). This has been supported by the third-highest returns of all OECD pension systems on a real returns basis — strengthening workers' financial security in retirement.⁷

The scale of Australia's pension assets makes it an internationally significant source of private capital. The total pool of assets managed by Australian pension funds is collectively greater than the world's largest sovereign wealth funds.⁸

A\$3.2 trillion (£1.6T; €1.8T) of the A\$4.3 trillion (£2.1T; €2.4T) of total Australian pension assets are now managed by institutional funds, which are pension funds regulated by the Australian Prudential Regulation Authority (APRA), the financial services industry regulator. Assets managed by these funds, including 'profit-to-member' or 'industry' funds, have more than doubled in the last decade.

The number of pension funds has been consolidating over time, with a decline of 38 per cent between 2019 to 2024, as funds have merged and corporate funds have closed.⁹ This consolidation has enabled these funds to develop more sophisticated investment strategies, aided by growing in-house teams, to help deliver quality outcomes for members.

Over the next decade, the total value of Australian pension assets is expected to continue to grow strongly at a rate of 7 per cent per year, reaching A\$8.3 trillion (£4.1T; €4.6T) by 2035 (Exhibit 2). Total assets will likely outgrow the Canadian and UK systems to become the largest pool of pension capital outside the US.¹⁰

As the retirement savings system matures, it is already alleviating pressures on government finances. Notably, Australia's current public expenditure on the age pension stands at just 2.5 per cent of GDP—substantially below the OECD average of 9.3 per cent. Australia is also the only OECD country for which age pension spending is projected to fall.¹¹

¹ Australian Treasury (2019) *Towards higher retirement incomes for Australians*

² Australian Treasury (2019) *Towards higher retirement incomes for Australians*

³ Australian Treasury (2019) *Towards higher retirement incomes for Australians*

⁴ Australian Treasury (2019) *Towards higher retirement incomes for Australians*

⁵ APRA (2025) *Quarterly superannuation statistics*

⁶ OECD (2025) *Pension Markets in Focus: Preliminary 2024 data*

⁷ OECD (2023) *Pensions at a Glance 2023*

⁸ Mandala (2025) *Going global: unlocking the growth potential of Australian pension capital*

⁹ APRA (2025) *Annual superannuation bulletin – highlights; Stakeholder consultation*

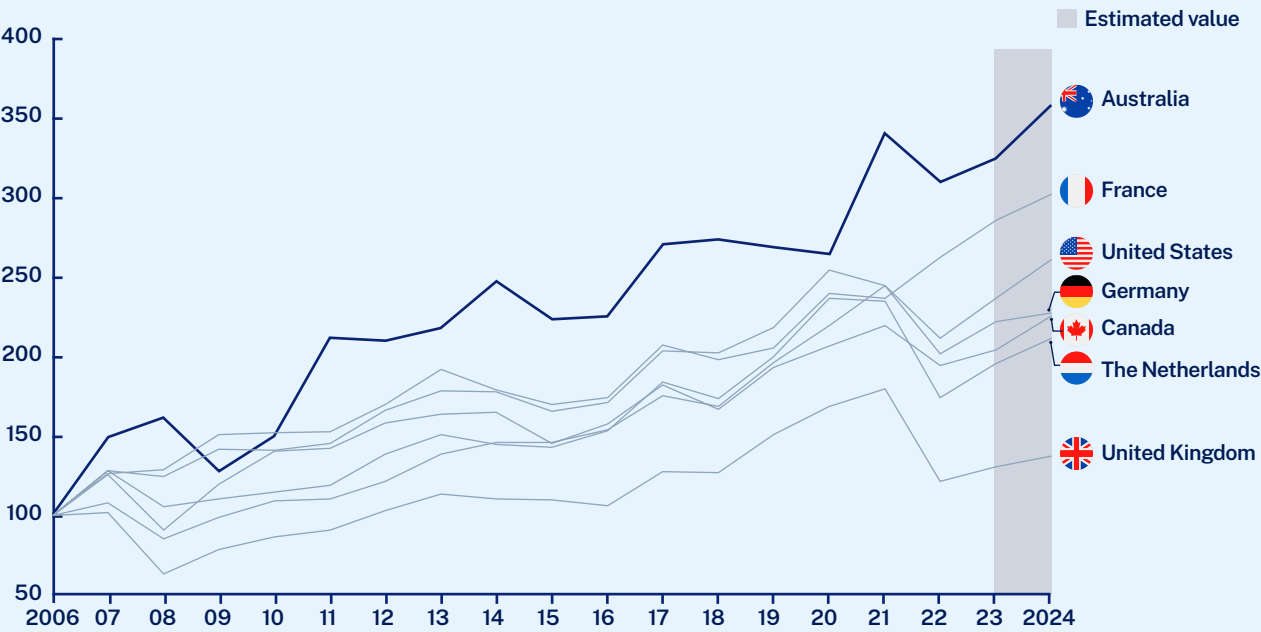
¹⁰ Super Members Council (2025) *Australians' super savings on track to become second largest globally by the early 2030s*

¹¹ Super Members Council (2025) *Australians' super savings on track to become second largest globally by the early 2030s*

EXHIBIT 1

International comparison of total pension fund assets

Growth of total assets indexed (2006 = 100), 2006-23 (Actual) and 2024 (Estimated)

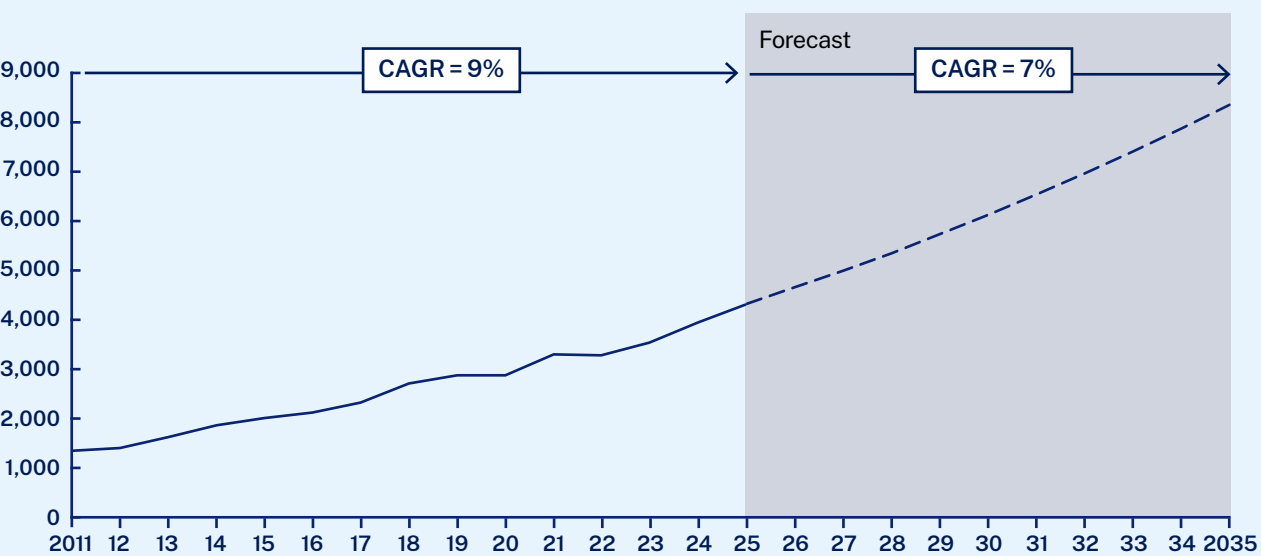


Note: Includes the top five countries with the largest total assets of pension providers (US, Canada, UK, Australia and the Netherlands), plus Germany and France. Final 2024 data has not yet been published by the OECD and has therefore been estimated by applying the growth in assets in asset-backed pension arrangements between 2023 and 2024. Source: SMC analysis; OECD (2025) *Pension Markets in Focus: Preliminary 2024 data*; OECD (2024) *Global Pension Markets in Focus*; Mandala analysis.

EXHIBIT 2

Total value of Australian pension assets

\$ billions, June 2011-2025 (Actual) and June 2026-2035 (Forecast)



Note: Shows the total value of Australian pension assets, including those managed by large institutional funds and those self-managed by individuals. Source: APRA (2025) *Quarterly Superannuation Statistics*; APRA (2023) *Quarterly Superannuation Statistics*; APRA (2021) *Quarterly Superannuation Statistics*; APRA (2019) *Quarterly Superannuation Statistics*; APRA (2017) *Quarterly Superannuation Statistics*; APRA (2015) *Quarterly Superannuation Statistics*; APRA (2013) *Quarterly Superannuation Statistics*; APRA (2011) *Quarterly Superannuation Statistics*; SMC Analysis (2025); Mandala analysis.

Three key policy settings underpin the strength of Australia's pension system:

- First, mandatory contributions have ensured the steady accumulation of retirement savings. Australian employers are required to make regular contributions into pension accounts, which as of July 2025 has risen to 12 per cent of employee earnings.¹² These compulsory contributions are estimated to have lifted household savings by around A\$500 billion (£244.4B; €280.1B) above what would otherwise have been achieved.¹³ Employer contributions are complemented by voluntary and tax-advantaged personal contributions, which rank among the highest in the OECD.¹⁴ In total, contributions to the system in the year to June 2025 reached A\$201 billion (£98.2B; €112.6B) – equivalent to approximately A\$4 billion (£2.0B; €2.2B) flowing into pension funds each week.¹⁵
- Second, preservation rules safeguard long-term wealth creation. Australians cannot access their pension savings until retirement (except under very limited circumstances), allowing pension funds to pursue long-term strategies and invest confidently in long-duration assets.¹⁶
- Third, Australia's competitive pension market drives performance and innovation. Funds operate within a system that combines regulation with flexibility and member choice.¹⁷ Legislative safeguards also ensure accountability, requiring funds to meet performance benchmarks and act in members' best financial interests.

1.2

Australian funds are increasingly investing overseas

Australian pension funds continue to invest more in Australia than anywhere else, with billions invested into Australian businesses, infrastructure and other real assets. As Australia's pension assets continue to grow, however, and as funds need to deploy increasingly large amounts of capital, funds are increasingly looking to international markets to access a broader range of investment opportunities and maximise returns.

This increase in overseas investments aligns with global trends. For example, Canada's largest public pension fund, the Canada Pension Plan Investment Board, invests 88 per cent of its assets internationally.¹⁸ On average, pension funds across OECD countries allocate 62 per cent of their holdings overseas.¹⁹

Over the last decade, the proportion of funds' portfolios invested outside of Australia has increased to 47 per cent (Exhibit 3) and is expected to continue to grow. Approximately 60 cents in every new dollar that workers contribute to their retirement savings is now invested overseas.²⁰ For the largest profit-to-member funds like AustralianSuper and Australian Retirement Trust this is closer to 70 cents in every new dollar.²¹ Based on existing trends, pension funds are estimated to have nearly A\$3.6 trillion (£1.8T; €2.0T) invested outside of Australia by 2035, up from around A\$1.4 trillion today.

¹² CSC (2025) *Super changes for FY25-26*

¹³ ASFA (2025) *Super and the Australian economy*

¹⁴ Monash University (2019) *The Australian Superannuation System*; OECD (2023) *Pensions at a Glance 2023*; SMC analysis; Mandala analysis

¹⁵ APRA (2025) *Quarterly Superannuation Statistics, year to June 2025 (Table 1A)*

¹⁶ Australian Tax Office (2023) *When you can access your super early*; Australian Tax Office (2015) *Preservation of Super*; Retirement age is indicated by preservation age, which varies from 55 to 60 depending on a person's date of birth

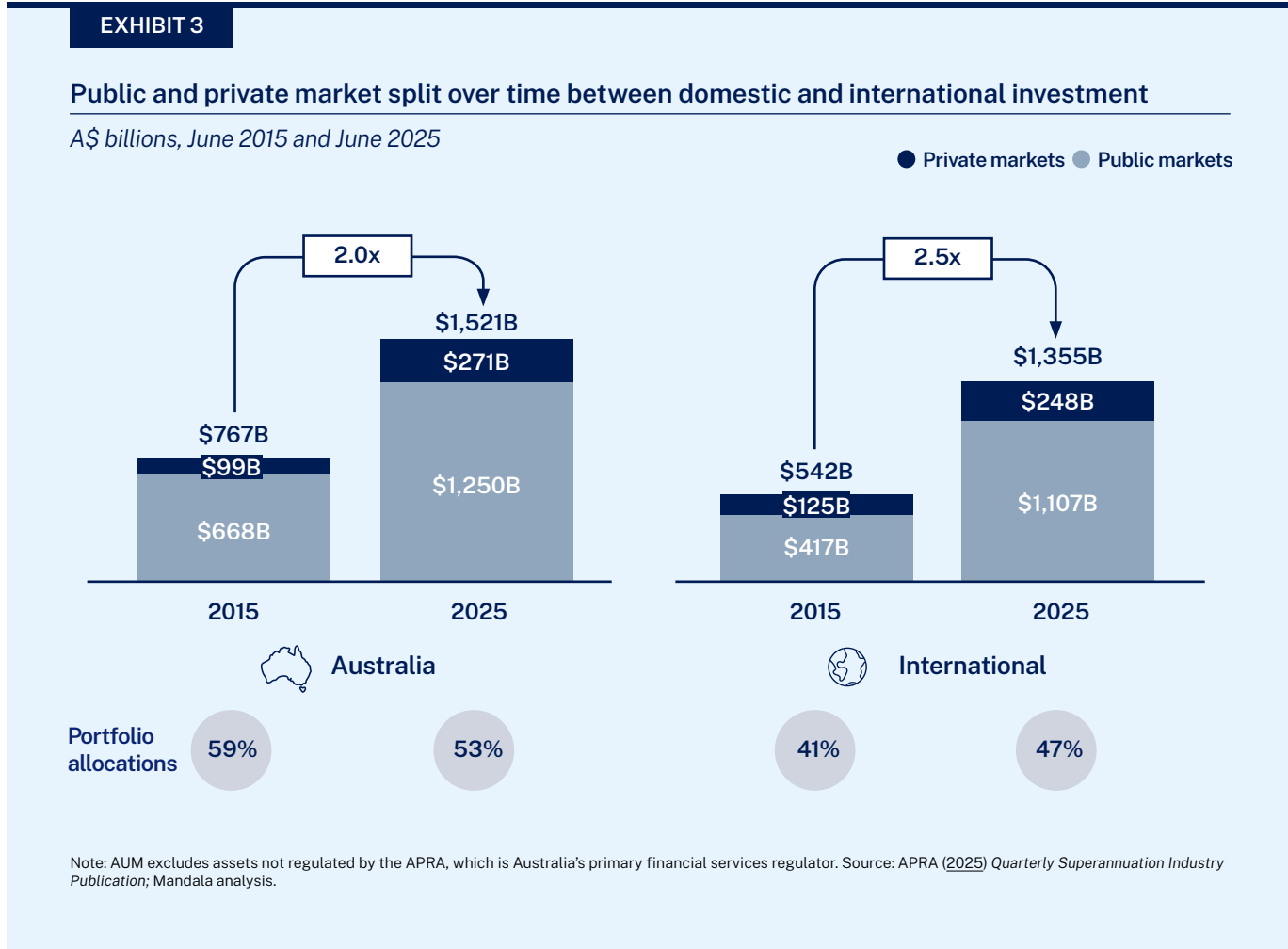
¹⁷ Moneysmart (2025) *Self-managed super fund (SMSF)*; Australians have the option of managing their own retirement savings directly through a self-managed super fund (SMSF). This is a private pension fund that an individual manages on their own, including setup, investment decisions, and management

¹⁸ CPP Investments (2025) *Annual Report 2025*

¹⁹ OECD (2022) *Long-term investing of large pension funds and public pension reserve funds*

²⁰ ASFA (2023) *Super and the Net Zero Challenge*

²¹ AustralianSuper (2024) *AustralianSuper expands International Equities team with senior investment management appointments*; Baird, L (2025) *The country's big super funds are reaching their ASX investing limit*



Public markets, including listed equities and bonds, form the foundation of Australian pension fund portfolios. Most retirement savings are invested in these markets, both in Australia and overseas, because of their strong long-term performance, liquidity, and transparency.²² In addition, public markets account for over 90 per cent of the total global investable market, representing significant scale and a diversity of investment opportunities.²³

Private markets — such as infrastructure, real estate, and private equity — also represent a significant share of invested pension assets. Private markets can deliver

stronger returns relative to public markets and more stable returns, enhancing long-term portfolio performance.²⁴ They have also proven resilient in uncertain economic conditions, making them a valuable addition to long-term investment strategies.

In 2025, private market investments totalled A\$271 billion (£132.5B; €151.8B) in Australia and A\$248 billion (£121.2B; €138.9B) internationally. ‘Profit-to-member’ or ‘industry’ funds have led the growth in global private markets investments, managing 88 per cent of all such investments by Australian pension funds.²⁵

²² Reserve Bank of Australia (2019) *The Australian Equity Market over the Past Century*; APRA (2023) *Prudential Standard SPS 530 Investment Governance in Superannuation*
²³ Ocorian (2025) *Value of global assets hits record \$246.8 trillion driven by surge in equities*
²⁴ For example, see Frontier Advisors (2022) *Super in the Economy: The investment opportunity in Australian private markets*
²⁵ APRA (2025) *Quarterly superannuation statistics*



2.

Destinations of choice: how Australian pension capital is invested in the UK and Europe

2.1

Twenty per cent of Australian pension funds’ overseas investment goes to the UK and EU

While the US is the primary destination for Australian pension fund investments abroad, the EU and UK are the next largest destination markets.

Australian pension funds currently have an estimated A\$264 billion (£129.0B; €147.9B) invested across the UK and EU, including A\$83 billion (£40.6B; €46.5B) in the UK and A\$181 billion (£88.5B; €101.4B) in the EU (Exhibit 4). This is equivalent to nearly one in every five dollars invested overseas by these funds.

Australian pension funds have expanded their network of offices across the UK and EU to support this considerable investment activity. This network positions funds to proactively pursue investment opportunities and build partnerships with governments, stakeholders and commercial partners. Pension fund-owned asset manager IFM Investors has been investing in the UK for twenty years and now has nearly 200 staff working from its Europe headquarters in London. It has also established offices across continental Europe in Berlin, Zurich, Amsterdam, Milan, and Warsaw.

Three of Australia’s largest pension funds — AustralianSuper, Aware Super, and Australian Retirement Trust — each chose London as the location for their first international office.²⁶ This growing physical presence and investment reflects London’s position as a global financial centre.

The UK ranks first in Europe and third globally for investor confidence,²⁷ supported by its well-established financial services sector, historically robust investor rights, transparent governance frameworks and strong record of innovation. It remains the leading European destination

for financial services foreign direct investment (FDI), accounting for a quarter of all projects in 2024.²⁸

Across the continent, the EU is the world’s largest single market and as such a major economic hub. Its largest economies — France and Germany — consistently rank in the top ten countries with the greatest global investor confidence.²⁹ Investors continue to view Europe as a reliable destination for capital despite concerns over regulation, economic stagnation and geopolitical risks. In 2025, optimism about Europe rose compared with 2024, with nearly half of investors reporting a more positive outlook. Investor preferences strongly favour Europe, with 60 per cent choosing it over the Americas or Asia-Pacific.³⁰ Europe also leads global investor sentiment in the green transition by a significant margin over other regions.³¹

2.2

Public markets dominate investment in the EU with private markets playing a larger role in the UK

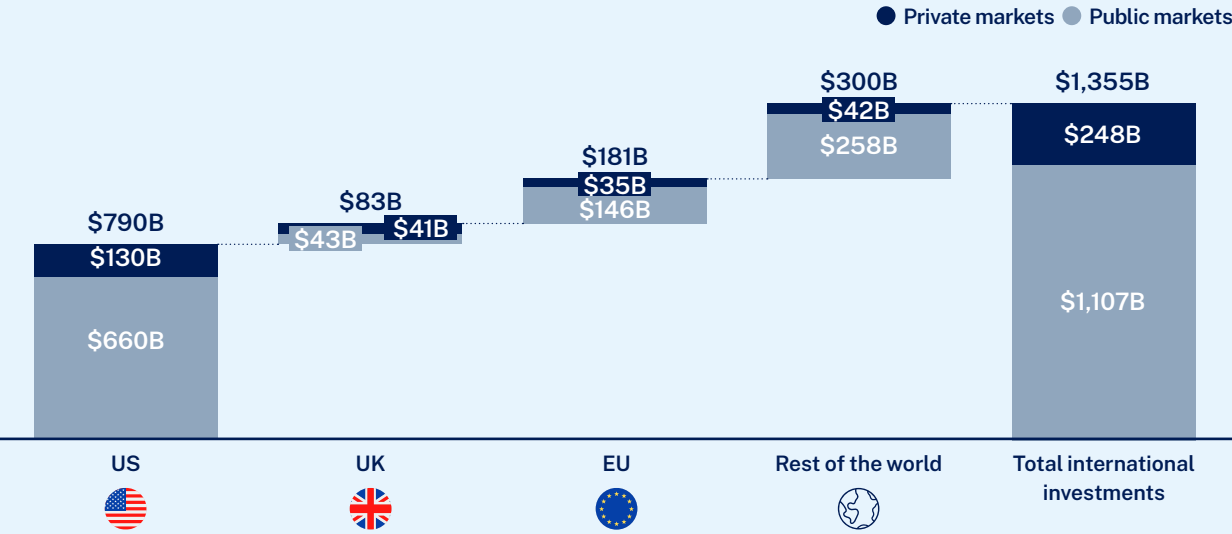
Aligned with global allocation patterns, public markets dominate Australian pension investments in the EU (81 per cent) compared with private markets (19 per cent).³² Listed equities make up two thirds of this public market investment, with bonds the remainder.³³

In the UK, comparatively, private markets represent almost half of Australian pension fund investment allocations. This relatively high allocation reflects the depth and maturity of private markets in the UK. London is one of the world’s largest hubs for private equity, venture capital, infrastructure finance and private debt, making it an attractive market for investments into private assets.³⁴

EXHIBIT 4

Major Australian pension fund investments in international markets by destination

A\$ billions, June 2025



Note: AUM excludes assets not regulated by the APRA, which is Australia’s primary financial services regulator.
Source: Preqin, a part of Blackrock (2025); APRA (2025) Quarterly Superannuation Industry Publication; Vanguard (2025) Vanguard MSCI Index International Shares ETF (VGS); Vanguard (2025) Vanguard Global Aggregate Bond Index (Hedged) ETF (VBND); Portfolio Holdings Disclosure (December 2024) – see appendix; Mandala analysis.

²⁶ Australian Retirement Trust (2024) Australian Retirement Trust opens first overseas office; AustralianSuper (2024) Investment spotlight: Canada Water and Aware Super (2023) Aware Super announces £5.25 billion commitment to UK investment office
²⁷ Kearney (2025) World at inflection – the 2025 FDI Confidence Index
²⁸ EY (2025) UK retains its lead as Europe’s most attractive destination for financial services investment
²⁹ Kearney (2025) World at inflection – the 2025 FDI Confidence Index
³⁰ Kearney (2025) World at inflection – the 2025 FDI Confidence Index
³¹ Kearney (2025) World at inflection – the 2025 FDI Confidence Index
³² APRA (2025) Quarterly Superannuation Industry Publication; Portfolio Holdings Disclosure (December 2024); Mandala analysis
³³ APRA (2025) Quarterly Superannuation Industry Publication; Portfolio Holdings Disclosure (December 2024); Mandala analysis
³⁴ Global Investment Futures (2023) Global Investment Futures The UK’s offering for global asset owners and managers

CASE STUDY 1

King’s Cross Estate – a global benchmark in urban regeneration

AustralianSuper, Australia’s largest pension fund, has been a major shareholder in the King’s Cross Estate for more than a decade. Widely recognised as one of the largest and most successful urban regeneration projects in London, the estate spans 67 acres and has transformed a derelict industrial site into a vibrant, mixed-use district that integrates commercial, residential, cultural, and environmental excellence.

Initiated in 2007 and nearing completion in 2025, the project prioritises social impact, sustainability, and placemaking. Today, the estate boasts 50 new and restored buildings, 26 acres of public space, and seamless access to three mainline rail stations and six Underground lines.

King’s Cross is home to 1,700 residences—including affordable housing and student accommodation—alongside 450,000 sq ft of retail and dining, and 8 million sq ft of mixed-use real estate. Major occupiers include Meta, Google, AstraZeneca, Sony, Havas, Universal Music as well as the London Borough of Camden and Central Saint Martins – University of Arts London. The estate supports 22,000 jobs and contributes an estimated A\$3.5 billion (£1.7B; €1.9B) in Gross Value Added (GVA) annually.

“The King’s Cross Estate is a powerful demonstration of how long-term patient capital can deliver world-class urban regeneration while also driving long-term value for members. We are proud to be part of this transformative development, which sets a benchmark for sustainable, inclusive, and vibrant city living in London.”

Carl Astorri, Head of European Investments, AustralianSuper



2.3

Infrastructure makes up over half of Australian pension fund investment in private markets in both the UK and EU

Australia’s profit-to-member funds were among the first institutional investors in infrastructure globally (alongside Canadian pension funds), making this asset class a core part of their portfolios since the early 1990s and building decades of expertise. Over time, this has resulted in over 8 per cent of all assets invested by Australian institutional pension funds being invested in infrastructure,³⁵ substantially higher than pension funds in the UK (1 to 3 per cent),³⁶ or in institutional capital more broadly in the EU (3 to 5 per cent).³⁷ Pension funds are well suited to infrastructure investments given their long-term investment horizons and stable cash flows.

The recent IFM Private Markets 700 barometer, a research survey of more than 700 senior investment professionals across pension funds, endowments, foundations, wealth managers and investment consultants, found that Europe has emerged as a leader in attracting capital for

infrastructure equity and debt, unlisted real estate, and private debt. It noted that the region’s appeal lies not only in its mature pipelines and established regulation, but also in fiscal stimulus, rising defence commitments and its leading role in the global energy transition. Many global managers in the survey highlighted the region’s reliable project pipelines, historically compelling returns, and diversified opportunities.³⁸

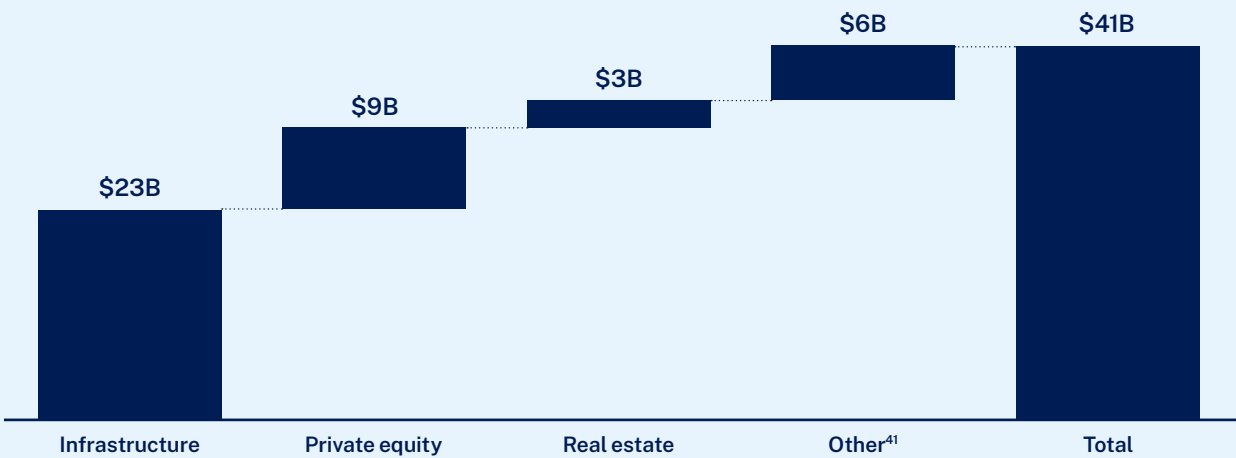
In the UK, infrastructure makes up the largest share of Australian pension investment in private markets (Exhibit 5), with significant investment in utilities (68 per cent), followed by roads and rail (7 per cent), and telecommunications infrastructure (7 per cent).³⁹

The UK’s aging infrastructure across transport, logistics, and water requires substantial renewal investment to modernise operations, capitalise on emerging technology and innovation, and meet the needs of a growing population. Additionally, the energy transition is creating new opportunities in renewable energy generation and storage projects, grid infrastructure upgrades, and industrial decarbonisation initiatives.⁴⁰

EXHIBIT 5

Private market investments by Australian pension funds in the UK

A\$ billions, June 2025



Note: AUM excludes assets not regulated by the APRA, which is Australia’s primary financial services regulator.
Source: Preqin, a part of Blackrock (2025); APRA (2025) Quarterly Superannuation Industry Publication; Portfolio Holdings Disclosure (December 2024) – see appendix; Mandala analysis.

³⁵ Including both listed and unlisted infrastructure investments – APRA (2025) Quarterly Superannuation Industry publication
³⁶ Pensions Policy Institute (2024) Pension scheme assets – a deep dive into infrastructure
³⁷ Allianz Global Investors (2025) The German special infrastructure fund
³⁸ IFM Investors (2025) Private Markets 700 The Global Investor Barometer
³⁹ Analysis only considers a sample of the externally managed investments of Australian pension funds. Estimated using the same methodology used to calculate the geographic split of unlisted assets, using a combination of Preqin and PHD data (see appendix)
⁴⁰ Burnett, N and Stewart, I (2025) The UK’s Plans and Progress to Reach Net Zero by 2050
⁴¹ International alternatives (as defined by the financial regulator) including complex financial instruments, trading positions, and other assets not otherwise listed.

CASE STUDY 2

Australian pension fund investment in UK airports

Australian pension funds, through direct holdings or through asset managers, have established substantial positions in several major UK airports. Funds have recognised these assets as being significant pieces of national infrastructure that provide stable, long-term returns while contributing to economic growth and sustainability.

Heathrow Airport

London’s Heathrow Airport is owned, in part, by Australian Retirement Trust (ART), Australia’s second largest pension fund, which acquired an initial interest in May 2011.

Today, ART owns over 11 per cent of Heathrow Airport, investing alongside several sovereign wealth funds, an infrastructure investor, as well as UK and Canadian pension funds.⁴²

Heathrow Airport is Europe’s largest airport by passenger numbers. Its considerable size and position as the UK’s premier airport hub make it a critical national infrastructure asset.

Heathrow Airport is continuing to make significant investments in growing its capacity. The airport announced a A\$4.7 billion (£2.3B; €2.6B) accelerated investment plan for 2025-2026, the largest private sector capital investment in UK transport infrastructure.⁴³ This forms part of a broader A\$20.5 billion (£10.0B; €11.5B) five-year investment program from 2027-2031 that will increase passenger capacity by 12 per cent to serve 10 million passengers a year and boost cargo capacity by 20 per cent.⁴⁴

Manchester Airport Group

Manchester Airports Group (MAG), the UK’s largest airport group, is owned by Manchester City Council, nine Greater Manchester Local Authorities, and funds managed by IFM Investors. It owns and operates Manchester Airport, East Midlands Airport, and London Stansted Airport.

Funds managed by IFM Investors have held a stake in MAG since 2013, in addition to investments in nine Australian airports and co-ownership of Vienna Airport alongside the City of Vienna and the Province of Lower Austria.⁴⁵

Over the last 10 years MAG has been investing in sustainable aviation infrastructure. It has set a target to achieve net zero scope 1 and 2 emissions by 2038, 12 years ahead of the UK’s national target.⁴⁶ Furthermore, 100 per cent of MAG’s energy needs are now met through renewables.

MAG is in the process of completing its Manchester Airport Transformation Programme, a 10-year A\$2.7 billion (£1.3B; €1.5B) project to double the size of Terminal 2. In phase one of the Programme, over 70 per cent of employees were from the local area and over 80 per cent of the project’s overall spend was with local suppliers. The project provided 150 apprenticeships over 35 different construction roles. Manchester Airport’s contribution to the Northern economy will increase nearly 80 per cent to A\$12.9 billion (£6.3B; €7.2B) by 2040 because of the Transformation Programme.⁴⁷

As part of its plan for Stansted Airport, MAG aims to invest A\$2.3 billion (£1.1B; €1.3B) in the airport by 2029. This will double the airport’s annual economic contribution to the UK to A\$4.1 billion (£2.0B; €2.3B) and create more than 5,000 jobs.⁴⁸



⁴² Heathrow (SP) Limited (2024) Annual Report 2024

⁴³ Heathrow Media Centre (2024) Heathrow announces £2.3bn accelerated investment plan to upgrade the UK’s international gateway to growth

⁴⁴ Heathrow Media Centre (2025) Faster, Smoother, Better: Heathrow’s £10 Billion Private Investment Plan to Make Every Journey Better

⁴⁵ Phillips, M (2013) IFM buys minority stake in UK airport operator

⁴⁶ IFM Investors (2021) Climate leadership recognised at Manchester Airports Group

⁴⁷ Manchester Airport Group (2023) Manchester Airport passes 90 per cent of pre-pandemic traffic in January, as first full year of restriction-free travel begins

⁴⁸ IFM Investors (2024) IFM Investors welcomes new investment in London Stansted Airport by portfolio company Manchester Airports Group

In the EU, infrastructure also represents the largest proportion of Australian pension funds’ investments in private markets (Exhibit 6). The largest portion of this infrastructure investment is in energy assets (38 per cent), followed by telecommunications (18 per cent), and utilities (11 per cent).⁴⁹

Across the EU there is a growing recognition among policy makers of the need to attract private capital, particularly to fund projects that will help enable EU Member States to meet decarbonisation goals and improve national and regional resilience and energy security.⁵¹ Such

investments include renewable energy generation, energy storage systems, transport infrastructure and industrial decarbonisation projects, which are all areas where Australian pension funds are leveraging existing expertise, both on the equity and debt side.

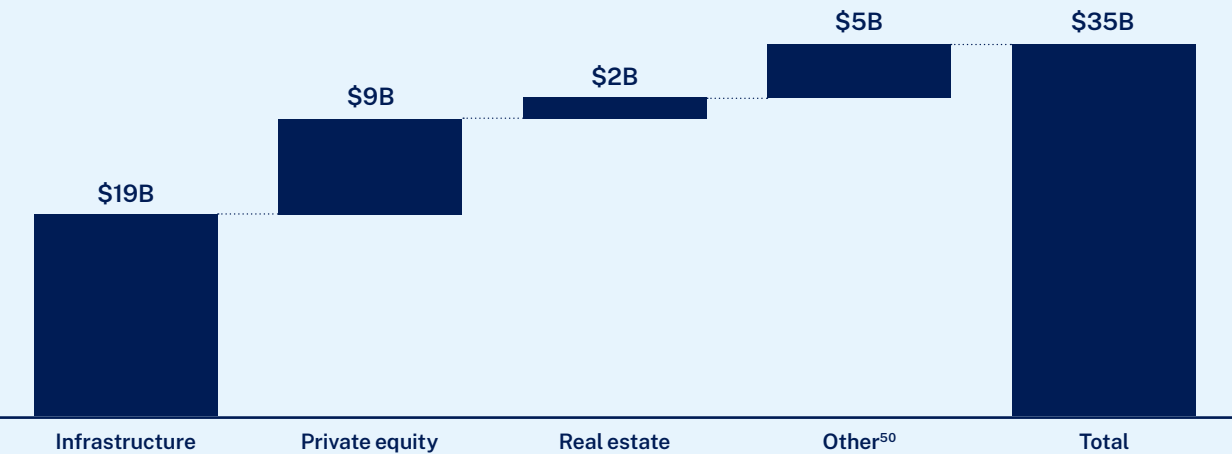
IFM Investors have established a diverse portfolio of infrastructure assets across the UK and Europe (Exhibit 7).

IFM also invests in UK and European infrastructure through debt, supporting infrastructure businesses across the UK and nine European countries in the energy, utilities, digital infrastructure, and transport sectors.

EXHIBIT 6

Private market investments by Australian pension funds in the EU

A\$ billions, June 2025



Note: AUM excludes assets not regulated by the APRA, which is Australia’s primary financial services regulator.
Source: Preqin, a part of Blackrock (2025); APRA (2025) Quarterly Superannuation Industry Publication; Portfolio Holdings Disclosure (December 2024) – see appendix; Mandala analysis.

⁴⁹ Analysis only considers a sample of the externally managed investments of Australian pension funds. Estimated using the same methodology used to calculate the geographic split of unlisted assets, using a combination of Preqin and PHD data (see appendix)

⁵⁰ International alternatives (as defined by the financial regulator) including complex financial instruments, trading positions, and other assets not otherwise listed

⁵¹ IFM Investors (2025) Private Markets 700 The Global Investor Barometer; European Commission (2025) EU’s Climate Law presents a new way to get to 2040

CASE STUDY 3

VTTI – Investing in infrastructure for the energy transition and energy security

VTTI is a leading owner and operator of diversified energy infrastructure assets. It comprises a global network of energy storage terminals supporting the movement of critical liquid and natural gas fuels, with a pipeline of energy transition projects in biogas, hydrogen and other sustainable energies.

Funds managed by IFM Investors currently hold a 45 per cent stake in VTTI. Since its investment, IFM has been driving a strategic agenda focused on growth and diversification. Europe is a cornerstone of this strategy, where VTTI is leveraging its established presence to deliver high-impact investments supporting the energy transition in the region.

Biofuels: At its Amsterdam terminal, VTTI has converted approximately 20 per cent of its storage capacity to accommodate biofuels, with plans to expand as demand for sustainable fuels grows. The company is also developing the Greenstock Pretreatment Facility, which is poised to become one of Europe’s largest independent renewable feedstock pretreatment plants.⁵²

- **Liquefied Natural Gas (LNG):** In 2024, VTTI acquired stakes in Adriatic LNG (Italy) and Dragon LNG (Wales), both regasification terminals offering flexible access to global gas supplies via pipeline interconnections. VTTI is also advancing the Zeeland Energy Terminal, a greenfield LNG regasification facility which has been identified as a project of strategic interest for the Dutch Government due to its potential contribution to the country’s energy resilience.⁵³
- **Renewable Natural Gas (RNG):** Through its wholly owned subsidiary VIDA Bioenergy, VTTI is building a pan-European RNG portfolio. VIDA currently operates two RNG plants in Tilburg (Netherlands) and Lincolnshire (UK), with two more under construction and a robust development pipeline across both countries.⁵⁴
- **Hydrogen:** Under the Project Amplify Europe initiative, VTTI is developing a European network of ammonia import terminals and ammonia crackers. Advanced projects are underway at strategic sites in Rotterdam (Netherlands) and Antwerp (Belgium), enabling large-scale import and conversion of clean ammonia into hydrogen, a vital green energy carrier. These projects have been designated as Projects of Common Interest by the European Commission, underscoring their importance to the EU’s energy transition.⁵⁵

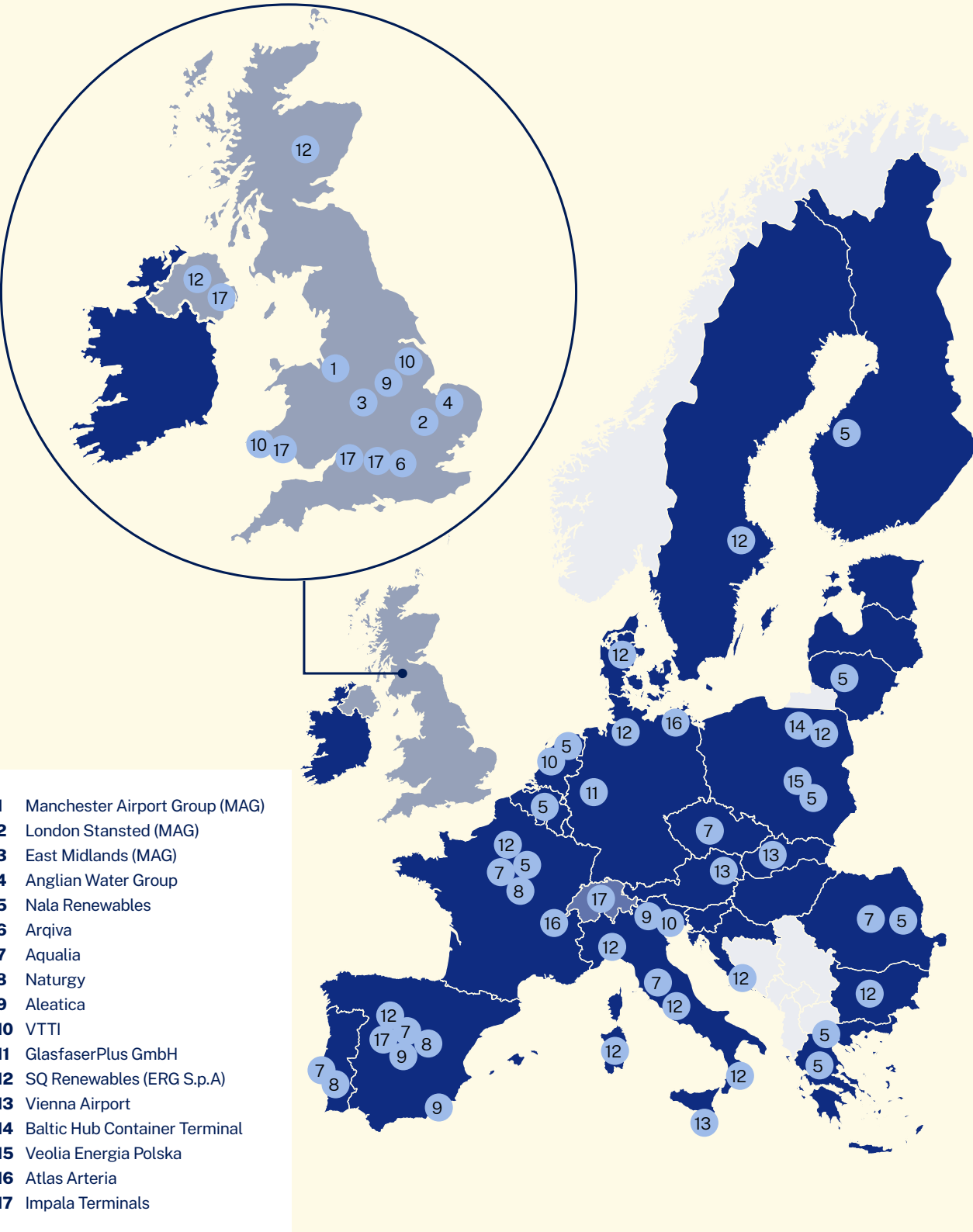


⁵² VTTI (n.d.) Greenstock Pretreatment Facility
⁵³ VTTI (n.d.) Zeeland Energy Terminal
⁵⁴ VTTI (n.d.) VIDA Bioenergy
⁵⁵ VTTI (n.d.) Project Amplify Europe

EXHIBIT 7

IFM Investors’ infrastructure portfolio in the UK, the EU and Switzerland⁵⁶

● European Union ● United Kingdom ● Switzerland



⁵⁶ IFM Investors (2025) Our Infrastructure asset portfolio; Assets located in Europe but outside the European Union and Switzerland have been excluded. Note: The recent acquisition of Air Rail and investment into Green Group have not been included on the map as these deals have been announced but not yet completed. See Air Rail and Green Group for further details.



3

Unlocking growth: future Australian investment in the UK and EU

3.1

Australian funds are strongly positioned to help close capital gaps in the UK and EU

Private capital has a long history in public infrastructure projects, harnessing market incentives to deliver schemes efficiently, at lower costs to consumers, and complementing public sector investments. As levels of public debt grow across advanced economies (Exhibit 8), private capital (both equity and debt) will have a greater role to play in delivering on governments' agendas for growth, productivity, decarbonisation, and economic security.

Although FDI has been growing steadily in the UK and EU,⁵⁷ there is significant scope for further international investment into these markets. The UK's Productivity Institute reports up to a A\$4.1 trillion (£2T; €2.3T) capital gap between the UK and high-performing peer nations.⁵⁸ Similarly, Mario Draghi, the former president

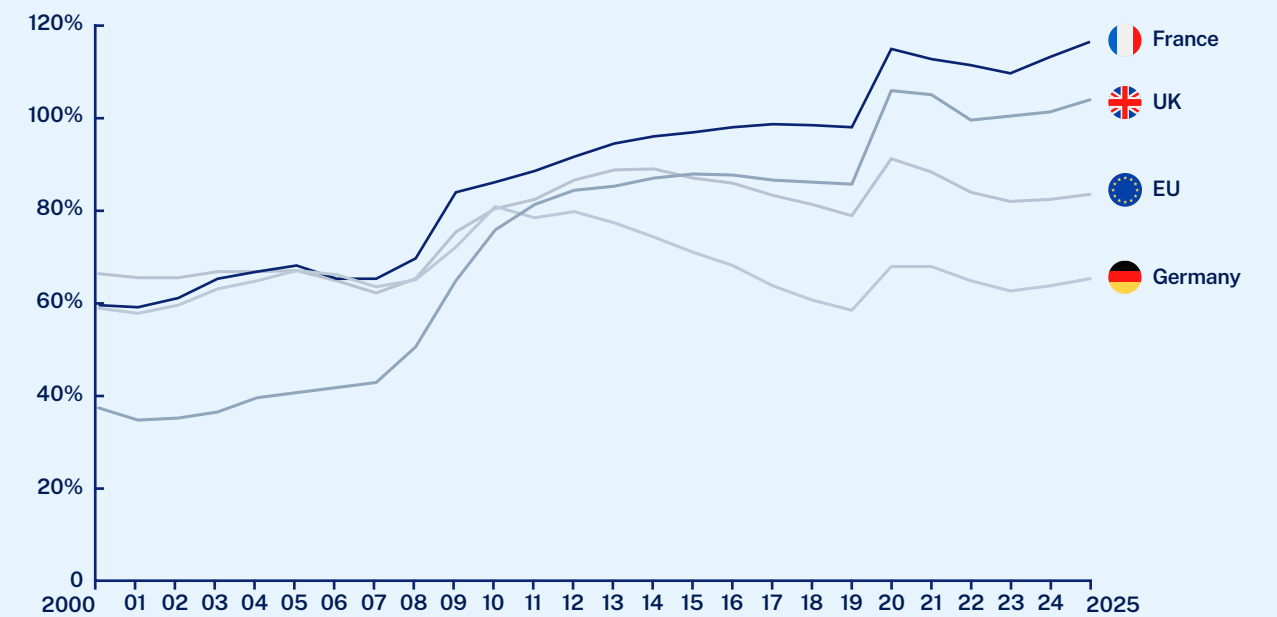
of the European Central Bank and Italian Prime Minister, has estimated that investment of A\$1.43 trillion (£697.9B; €800B) per year above published forecasts is needed for the EU to meet its economic development objectives.⁵⁹ In sum, that is A\$7.1 trillion (£3.5T; €4T) between now and the end of the decade.

With their scale, investment capabilities and long-term investment horizons, Australian pension funds are strongly positioned to serve as key investment partners to governments and market participants in the UK and Europe. Australia's political stability, ranked in the 80th percentile globally, positions Australia as a trusted source of funds that can commit to long-term investments.⁶⁰ Australia's strong bilateral and multilateral relationships with the UK and Europe, encompassing deep cooperation on trade, global security partnerships, and strong two-way investment flows, underpin Australia's credentials as a strategic partner.

EXHIBIT 8

Comparison of government debt levels in the UK and EU

Central government debt as a per cent of GDP, 2000 to 2023



Source: IMF (2025) General government gross debt; Mandala analysis.

⁵⁷ The stock of inward FDI in France, the UK and EU has grown at a CAGR of 5-7 per cent over the last 20 years

⁵⁸ The Productivity Institute (2025) The UK's capital gap: a shortfall in the trillions of pounds that will take decades to bridge

⁵⁹ European Commission (2024) The future of European competitiveness

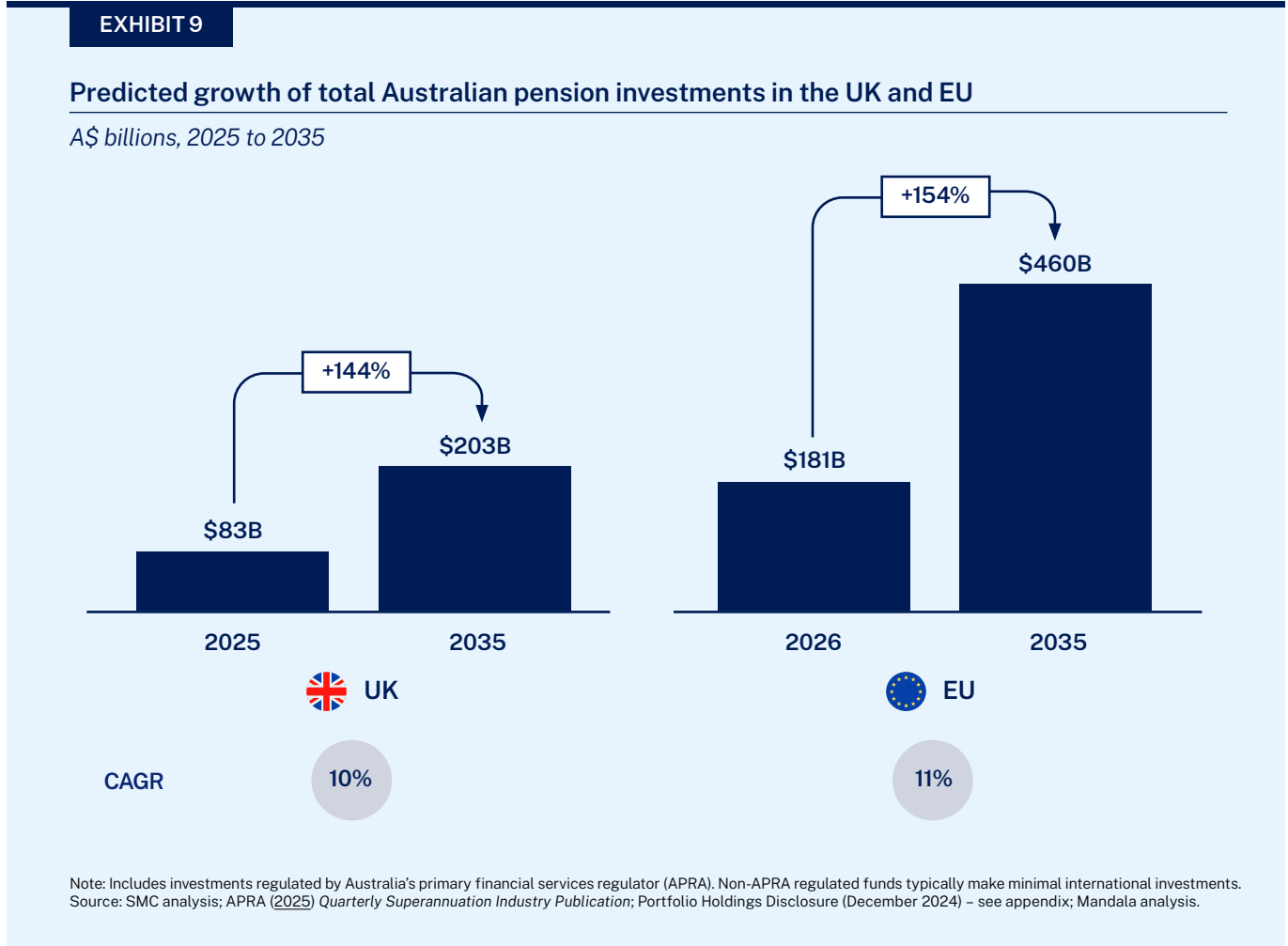
⁶⁰ World Bank Group (2023) Worldwide Governance Indicators

Overall, and based on current trends, Australian investment in the UK and EU will grow by more than 10 per cent per year — faster than the projected growth in Australian pension assets. Total investment is set to more than double over the next decade to over A\$660 billion (£323B; €370B) including A\$203 billion (£99.2B; €113.7B) in the UK and A\$460 billion (£224.8B; €257.7B) (Exhibit 9).

This positive outlook on the region is reflected in the Memorandum of Understanding (MoU) that IFM Investors has signed with the UK Government, announcing its intention to invest A\$20.5 billion (£10B; €11.5B) in the UK by 2027.⁶¹ Australian pension funds are making similar announcements. Aware Super announced an ambition to invest A\$10 billion (£4.9B; €5.6B) into the UK and EU.⁶² Additionally, AustralianSuper announced their intention to invest A\$16.4 billion (£8.0B; €9.2B) of new capital by 2030 in the UK, reaching a total of A\$36.8 billion (£18.0B; €20.6B).⁶³

Exhibit 10 details how this investment across markets and asset classes is expected to change between now and 2035. In both the UK and EU, public equities and other listed assets are expected to have the greatest increase in the share of Australian pension investment. A substantial increase in private infrastructure and private equity inflows is also expected, with investments in both asset classes more than doubling in each market.

While private markets require specialised knowledge and local expertise, these challenges create opportunities to form strategic partnerships, co-invest alongside local pension funds and other investors, and access additional investments. IFM Investors, for example, recently welcomed UK pension fund Nest into its group of pension fund owners, and has been building strategic partnerships across the UK pensions landscape (Case study 4).



⁶¹ IFM Investors (2023) IFM Investor signs MoU with UK government, intends to invest £10 billion in UK by 2027
⁶² Aware Super (2023) Aware Super announces £5.25 billion commitment to UK investment office
⁶³ AustralianSuper (2024) AustralianSuper on track to increase investment portfolio in the UK to more than £18 billion by 2030

CASE STUDY 4

IFM Investors - Building strategic partnerships across the UK pensions landscape

Since 2011, IFM has managed capital on behalf of the UK Local Government Pension Scheme (LGPS), showcasing its ability to serve institutional investors across multiple markets. The LGPS portfolio managed by IFM is currently valued at A\$5.1 billion (£2.5B; €2.9B).⁶⁴

In 2024, the firm's UK expansion gained momentum through its selection as an infrastructure manager for Legal & General's Private Markets Access Fund (PMAF), which provides pension schemes with diversified private markets exposure.⁶⁵ This partnership showcases IFM's ability to partner with major UK financial institutions to deliver alternative investment solutions.

In 2025, UK pension fund Nest became IFM's first non-Australian owner, taking a 10 per cent stake in the firm. Over one-third of the UK workforce saves with Nest.⁶⁶ Nest will invest in IFM's infrastructure, debt, and private equity capabilities, with a key focus on new UK investment opportunities that have the potential to provide greater returns to its more than 13 million UK members.⁶⁷

This strategic investment reflects Nest's confidence in IFM's alignment with long-term investors and expertise across private markets, with a focus on UK and Europe. Nest and IFM's Australian pension fund owners share a defined contribution structure, profit-to-member focus, long investment horizons in infrastructure equity, and a strong appetite for private market investments.

“As one of the largest pension schemes in the UK, with over a third of the workforce saving with us, we continually seek out global best practice to strengthen our investment approach. Australia has set the benchmark in infrastructure investing, and we’re excited to tap into IFM’s capabilities while bringing our own scale, ambition, and innovation to the partnership.”
Mark Fawcett, Nest Invest CEO.⁶⁸

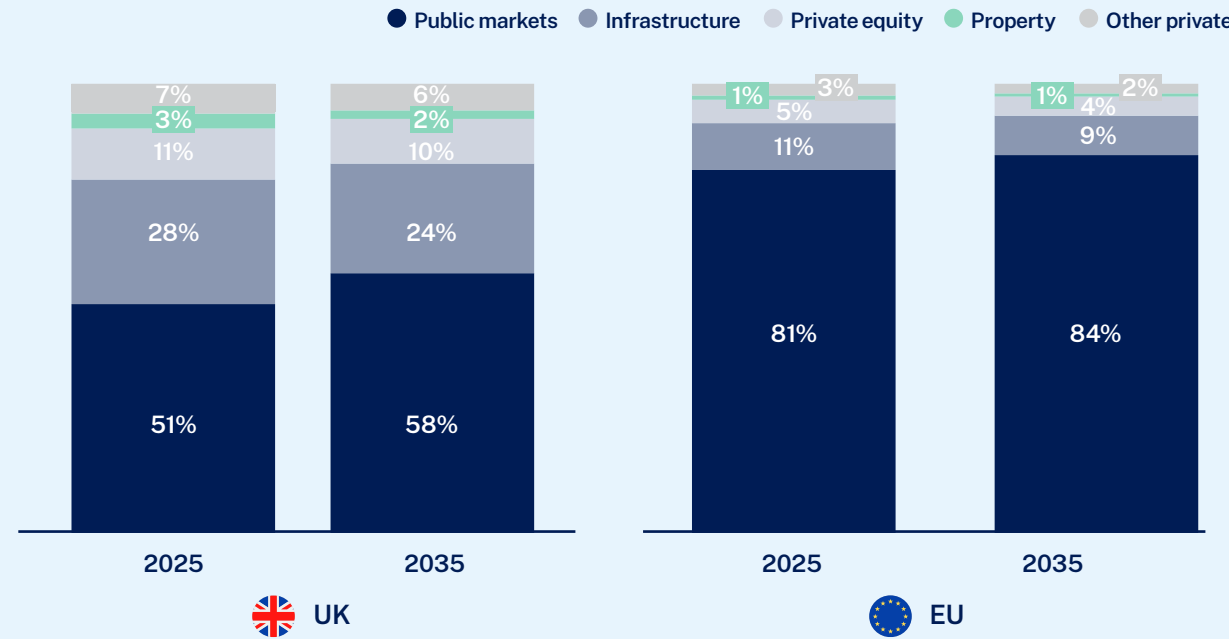


⁶⁴ The Local Government Pension Scheme Advisory Board - England and Wales (2025) Code of Transparency - Manager list
⁶⁵ IFM (2024) New IFM and L&G private markets partnership to boost growth in workers' retirement savings
⁶⁶ IFM Investors (2025) IFM Investors finalises strategic partnership with leading UK pension fund
⁶⁷ IFM (2025) IFM Investors finalises strategic partnership with leading UK pension fund
⁶⁸ IFM (2025) IFM Investors finalises strategic partnership with leading UK pension fund

EXHIBIT 10

Expected distribution of Australian pension fund investment in the UK and EU across markets and asset classes

Proportion of total assets under management, 2025 and 2035



Source: SMC analysis; APRA (2025) Quarterly Superannuation Industry Publication; Portfolio Holdings Disclosure (December 2024) – see appendix; Mandala analysis.

3.2

There are opportunities for Australian funds to deepen partnerships with the UK and EU

Across the UK and EU, governments are actively seeking to mobilise private capital to accelerate growth and modernise critical infrastructure. Policy measures such as establishing Public–Private Partnership (PPP) frameworks, crowding in investment through new funding models, reforms to planning and procurement processes, and greater transparency over project pipelines are expanding the set of opportunities that align with the long-term investment horizons of Australian pension funds. These agendas provide a strong foundation for partnerships that can deliver attractive returns for Australian members while addressing Europe’s infrastructure and energy transition needs.

The UK Government is implementing supply-side reforms to attract investment

The need for reforms to unlock infrastructure investment was outlined in the landmark blueprint, *Mobilising pension capital for net zero: a policy blueprint for the UK*, which was a collaboration between IFM Investors, UK and Australian pension funds, and the UK Pensions and Lifetime Savings Association (PLSA), now Pensions UK.⁶⁹

As part of its 10-year Infrastructure and Modern Industrial strategies,⁷⁰ the UK Government has commenced a program of supply-side reforms to attract private capital, including progressing several recommendations outlined in the blueprint.

- Changes to the fiscal framework, moving from Public Sector Net Debt to a focus on Public Sector Net Financial Liabilities (PSNFL) enables the Government to make long-term public investments that will unlock new funding models, including for public-private co-investment.⁷¹

- The Planning and Infrastructure Bill, once passed, will accelerate approvals for housing, commercial projects and nationally significant infrastructure.⁷² This legislation includes provisions to streamline environmental assessments, limit scope for repetitive legal challenge and remove the legal requirement to consult on nationally significant infrastructure projects, which is expected to reduce the average time needed to secure a consent order by up to 30 per cent.⁷³
- The Clean Power Mission to decarbonise the UK’s energy system by 2030 will require A\$81.8 billion (£40B; €45.8B) in additional investment annually through to the end of the decade, with the majority expected from private capital.⁷⁴ The Government has already taken steps to reform the Contract for Difference scheme by extending the term from 15 to 20 years, to better align contract terms with the life of renewable assets such as wind and solar, offering investors greater certainty on return, and lowering the cost of capital.⁷⁵
- Pension investment reforms aim to support consolidation and scaling of the UK’s defined contribution and local government defined benefit pension funds as a means to channel pension capital into higher-risk UK assets to drive stronger returns for savers. (Under the recent Mansion House Accord, 17 of the largest UK workplace defined contribution pension funds and providers have committed to allocate at least 10 per cent of their defined contribution default funds to private markets by 2030, with 5 per cent dedicated to the UK).⁷⁶

These efforts are complemented by the National Wealth Fund, which aims to mobilise private investment to support the UK’s clean energy and growth missions.⁷⁷ The partnership between Aware Super, the National Wealth Fund and Equitix to invest in Eelpower Energy (Case study 5) demonstrates what can be achieved through partnerships between government-backed impact capital and private investors, including pension capital.

⁶⁹ IFM (2024) *Mobilising pension capital for net zero: a policy blueprint for the UK*

⁷⁰ UK Government (2025) *UK Infrastructure: A 10 year strategy*; UK Government (2025) *The UK’s Modern Industrial Strategy*

⁷¹ HM Treasury (2024) *Autumn Budget*

⁷² UK Parliament (2025) *Planning and Infrastructure Bill*

⁷³ Ministry of Housing, Communities and Local Government (2025) *Consultation on streamlining infrastructure planning*

⁷⁴ Department for Energy Security and Net Zero (2024) *Clean Power 2030 Action Plan: A new era of clean electricity*

⁷⁵ Department for Energy and Net Zero (2025) *Contracts for Difference: Allocation Round 7*

⁷⁶ HM Treasury (2025) *Pension schemes back British growth*

⁷⁷ HM Treasury (2024) *National Wealth Fund: Mobilising Private Investment* (accessible)

CASE STUDY 5

Eelpower — Supporting UK grid modernisation through battery storage infrastructure

Aware Super, Australia’s third largest pension fund, together with infrastructure firm Equitix and the UK’s National Wealth Fund, have committed a total of A\$1.02 billion (£500M; €573.1M) of growth capital to Eelpower Energy. This investment expands Aware Super’s A\$18.1 billion (£8.8B; €10.1B) UK and European portfolio, which already includes assets such as Octopus Energy.⁷⁸

The National Wealth Fund was founded by the UK Government in 2024. The Fund has a mandate to help reshape approaches to public-private risk-sharing, providing investors with the confidence to fund the technologies and infrastructure needed to drive growth across the UK.

Eelpower develops, owns, and operates grid-scale battery storage, with plans to deliver more than 1GW of new capacity. Three ‘ready-to-build’ plants in Scotland and England will each deliver 150MW of power and 300MWh of storage sufficient to power 240,000 homes for two hours.⁷⁹ The company also plans international expansion, building on proven experience in delivering four operational battery storage sites and four co-located sites, which have already been sold.⁸⁰

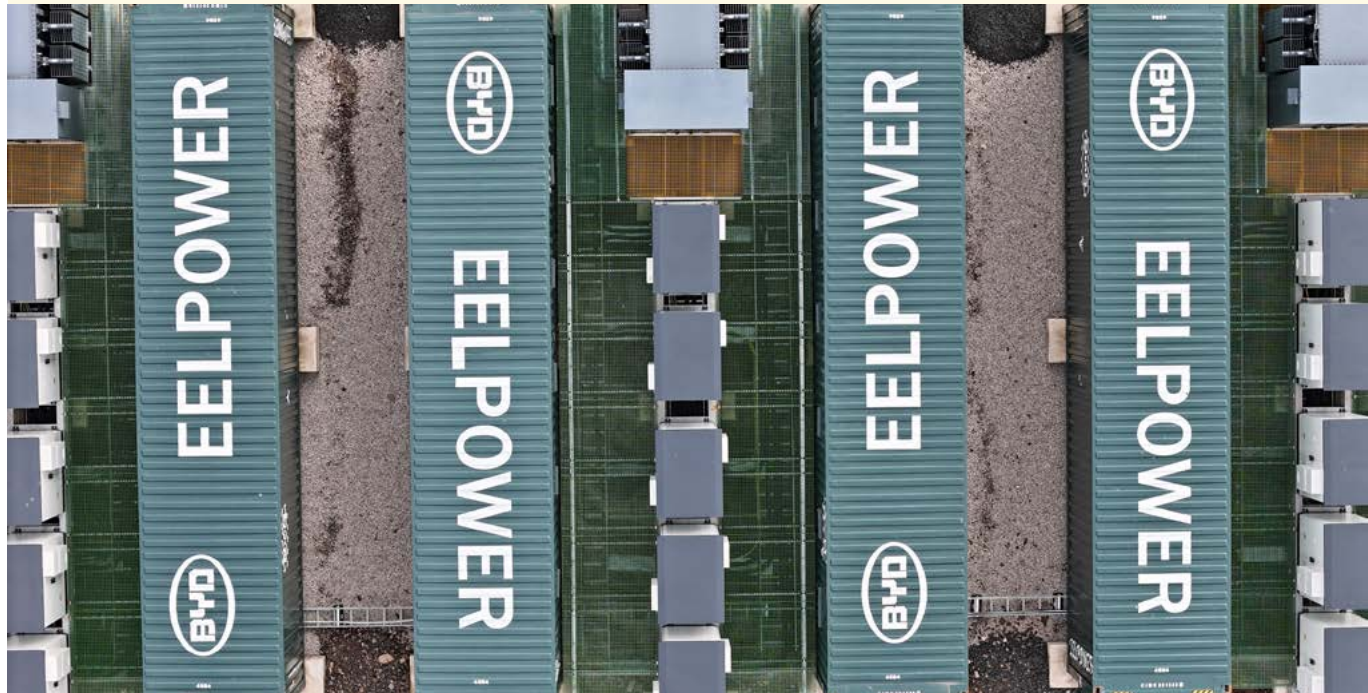
The investment addresses critical battery storage shortages that hinder the UK’s renewable integration and meeting its 2030 electricity decarbonisation target.⁸¹ As of August 2025, wind provides 26 per cent of the UK electricity supply, and battery storage is an essential back up for fluctuating renewable output.⁸²

“Upgrading the grid will help to bring down bills, support well paid jobs, and put more money in working people’s pockets.”

Rachel Reeves, Chancellor of the Exchequer⁸³

“Aware Super is proud to be a substantial direct investor in Eelpower Energy, reinforcing our commitment to the UK energy transition and industrial strategy. We are excited by our partnership with local institutions, Equitix and the National Wealth Fund, and look forward to generating attractive returns for our 1.2 million members.”

Damien Webb, Aware Super Deputy CIO and Head of International⁸⁴



⁷⁸ Aware Super (2024) Aware Super extends reach into energy transition opportunity with Octopus Energy; Aware Super (2023) Aware Super announces £5.25 billion commitment to UK investment office

⁷⁹ McDougall, M and Millard, R (2025) UK National Wealth Fund boosts investment in ‘volatile’ battery storage sector

⁸⁰ Eelpower (n.d.) What we do

⁸¹ Baird, L (2025) Aware Super joins with UK government for \$1b battery storage business; McDougall, M and Millard, R (2025) UK National Wealth Fund boosts investment in ‘volatile’ battery storage sector

⁸² National Energy System Operator (2025) Great Britain’s Monthly Energy Stats

⁸³ Aware Super (2025) Equitix and Aware Super consortium with UK’s National Wealth Fund launches a £500 million platform to build, own, and operate UK battery storage assets

⁸⁴ Equitix (2025) Equitix-led consortium with Aware Super and the National Wealth Fund launches a £500 million platform to build, own, and operate UK battery storage assets

France has a well-established approach for attracting private capital

France is the 7th largest economy in the world. Investors into France benefit from clear project pipelines, top-rated procurement processes, and limited scope for land disputes over ‘public interest’ projects.⁸⁵ These factors together provide confidence.⁸⁶ France also consistently outperforms other European economies in infrastructure delivery. France completes planning processes six months quicker than the UK and construction around 15 months quicker than Germany.⁸⁷

France has a well-established framework for mobilising private capital through PPPs, with a long track record of success across motorways, heat networks, telecommunications, and water and wastewater projects. Between 2020 and 2024, France was Europe’s largest PPP market by both number of deals (nearly 70) and total value (A\$21B; £10.3B; €11.8B).⁸⁸

The French Government is now considering expanding this framework to new sectors, offering new opportunities for private investment. As an example, Ambition France Transports — a recent national initiative launched to shape the future of mobility — sets out a long-term vision to modernise transport infrastructure across rail, road, and urban networks. It responds to a pressing need for investment in network upgrades, decarbonisation, and improved connectivity, while also initiating a broad reflection on the evolution of PPP models (from regional rail to toll road concessions).

France also benefits from the active involvement of leading infrastructure corporates such as Vinci, Bouygues, Eiffage, Veolia, Engie, EDF and others. These firms bring deep technical expertise, strong balance sheets, and global delivery experience across infrastructure sectors. Their longstanding role in PPPs and concessions enhances project credibility and execution certainty, while also creating partnership opportunities for institutional investors.

Germany is prioritising investment in defence, energy and digital infrastructure

In March 2025, Germany amended its constitutional debt brake to allow additional borrowing beyond 0.35 per cent of GDP,⁸⁹ permitting defence and related spending in excess of 1 per cent of GDP to be funded by new debt, and to establish a A\$892.5 billion (£436.2B; €500B) ‘Sondervermögen’ (special fund).⁹⁰ The fund is intended to stimulate economic growth by building transport and social infrastructure, energy, and defence projects. The German Federal Government intends to use this fund to ‘crowd-in’ private capital, offering investors a clear view of future investment priorities.

One priority is the ‘Energiewende’ strategy (the Integrated National Energy and Climate Plan), which has set a national target of 80 per cent of electricity consumption to be powered by renewables by 2030. This will require deployment of 360GW of new supply (via solar PV and wind) and upgraded grid infrastructure.⁹¹ To strike a balance between competition and revenue certainty for investors, the German Government has adopted reverse auctions to generate the required private capital. This includes a guaranteed price over a 20-year horizon.⁹² The strategy is pragmatic in balancing decarbonisation and grid stability, with an emphasis on large-scale deployment of battery storage, and over A\$28.6 billion (£14B; €16B) in public subsidies for hydrogen-ready gas power plants.⁹³

Modernising and expanding digital infrastructure, particularly fibre and mobile broadband, is another priority in Germany’s economic strategy. Germany ranks among the lowest in Europe for fibre optic broadband connections to the home.⁹⁴ The Federal Government has amended legislation to accelerate the deployment of fibre and mobile broadband. This will be achieved by designating network expansion as an ‘overriding public interest,’ and by planning to provide public subsidies for network access in regions and communities where market-driven investment is not viable.⁹⁵ In support of these objectives, IFM has signed a long-term partnership with Deutsche Telekom to roll out gigabit-capable fibre-to-the-home broadband to over four million homes in rural areas through a joint venture called GlasfaserPlus.⁹⁶

⁸⁵ The process for expropriation and terms of compensation are set out in the [Code de l’expropriation pour cause d’utilité publique](#)

⁸⁶ Global Infrastructure Hub (n.d.) Pipeline Access – France

⁸⁷ Ruparel, R et. Al (2024) Reshaping British Infrastructure: Global Lessons to Improve Project Delivery

⁸⁸ European Investment Bank (2025) Review of the European Public-Private Partnership Market in 2024

⁸⁹ Federal Ministry of Finance (n.d.) Debt brake

⁹⁰ Rahn, W (2025) Germany: Upper house signs off on landmark debt reform plan

⁹¹ Federal Ministry for Economic Affairs and Climate Action (2024) Update of the Integrated National Energy and Climate Plan

⁹² Federal Ministry of Economic Affairs and Energy (2017) Renewable Energy Sources Act

⁹³ Federal Ministry for Economic Affairs and Climate Action (2024) Update of the Integrated National Energy and Climate Plan; Alkousaa, R (2024) Germany outlines \$17 bln plan to subsidise gas-to-hydrogen shift

⁹⁴ FTTH Council Europe (2025) Market intelligence Committee

⁹⁵ Federal Government (2025) Faster internet for everyone; Federal Ministry for Digital and Transport (2025) Gigabit funding 2.0

⁹⁶ IFM Investors (2025) GlasfaserPlus GmbH

CASE STUDY 6

Atlas Arteria – Investing in European toll road infrastructure at key trading crossroads

Since 2022, funds managed by IFM Investors have established a 32.6 per cent stake in Atlas Arteria, leveraging its global expertise as a leading toll road infrastructure investor.⁹⁷ Atlas Arteria manages a diversified portfolio of toll roads in France, Germany, and the United States, with the French and German assets forming critical infrastructure at the crossroads of Western European trade.

In France, Atlas Arteria holds a 30.8 per cent indirect interest in the APRR Group, which operates a 2,424-kilometre motorway network in eastern France, the country’s second-largest toll road network, and the fourth largest in Europe.⁹⁸ The network provides essential connectivity between major French cities, including Paris and Lyon, and links France to Switzerland. APRR, which has around 3,300 employees, invested over A\$499.8 million (£244.3M; €280.0M) in France in 2024 to maintain and expand the existing network.⁹⁹

Atlas Arteria also holds a 30.8 per cent stake in ADELAC, a 20-kilometre motorway linking Annecy to Geneva, which serves as a critical commuter and freight corridor.¹⁰⁰

Atlas Arteria is exploring new toll road concession and retendering opportunities in France alongside its local partner Eiffage, a leading French construction company and majority shareholder in the APRR Group.

“We have substantial experience investing in toll roads globally and we’re attracted to Atlas Arteria’s high-quality assets across France, Germany and the United States.”
Kyle Mangini, IFM Global Head of Infrastructure.¹⁰¹



⁹⁷ Wiggins, J (2025) Toll road group needs to keep IFM Investors on side in deal hunt
⁹⁸ Atlas Arteria (n.d.) APRR
⁹⁹ APRR (2025) APRR 2024 Consolidated Financial Statements
¹⁰⁰ Atlas Arteria (n.d.) ADELAC
¹⁰¹ IFM Investors (2022) IFM GIF now substantial shareholder in Atlas Arteria

3.3

Policy and regulatory reform can unlock further investment

Across the UK and EU there is scope to review regulatory barriers to investment to enable greater capital flow.

There is scope to reform regulation to improve competition

Both the UK and EU have recognised the need to reduce regulatory burdens in order to support dynamism, innovation and investment. This is particularly important in a context where long-term capital has become more sophisticated in terms of its geographical and sectoral asset allocation.

The UK has recognised the need to reduce the burden of regulation and has pledged to reduce business administration costs by 25 per cent by 2029.¹⁰² Greater cooperation and coordination between the UK and EU on regulatory competitiveness could ensure new policies do not create new frictions at the UK/ EU border, which could hinder inward investment.

The Draghi Report, referenced in Section 3.1, highlighted that EU competitiveness is constrained by the proliferation of precautionary ex ante regulations, often applied inconsistently or ‘gold-plated’ by national agencies.¹⁰³ Sixty per cent of EU companies consider such rules an obstacle to investment, and the pace of new regulation also outstrips that of competitor markets, with limited assessment of costs and benefits.¹⁰⁴ Addressing both the ‘stock’ of existing regulation, particularly in strategic sectors such as finance, life sciences and technology, and the ‘flow’ of new rules through more rigorous scrutiny is now widely regarded as essential.¹⁰⁵ Doing so would increase the attractiveness of the EU for FDI.

The Draghi Report also recognised that competition policy should adapt to take account of the needs of specific markets. In sectors like technology and telecommunications, consolidation may be necessary to deliver the scale of investment required to meet Europe’s industrial and connectivity objectives and that cases of abuse of consumer welfare should instead be remedied by ex post enforcement.¹⁰⁶

Current FDI screening acts as a potential barrier to investment

In response to rising geopolitical tensions, both the UK and EU have introduced FDI screening legislation to protect critical infrastructure and strategic firms from high-risk foreign investors.

The UK Government is taking a dual approach. It is currently looking to refine its FDI screening regime to exclude low-risk transactions to ease the burden on businesses and investors. At the same time, however, it is consulting on broadening coverage, including extending the regime to the water sector and expanding existing requirements on data infrastructure to encompass private data centres.¹⁰⁷

Within Europe, the European Commission and Member States are considering revisions to the EU Foreign Direct Investment Regulation, which intend to harmonise national screening mechanisms and propose procedures for multi-jurisdiction transactions.¹⁰⁸ In principle, better alignment could simplify transactions and bring benefits for Member States and investors. However, there is also a risk of discouraging investment, if the list of sectors and technologies requiring assessment is too broad, or if disclosure requirements become too onerous. It will be important for the final regulation to strike the right balance.

In both jurisdictions, governments should review the impact of these reforms on future FDI patterns and adjust their respective regimes, as necessary.

Investment in energy is required to ensure future supply and lower prices

While electricity prices have fallen from the initial spike caused by Russia’s invasion of Ukraine, EU companies are still paying two to three times more than those paid in the US.¹⁰⁹ In the UK, they are four times as much.¹¹⁰ This is largely reflective of the fact that Europe has limited natural resources and is a net importer of energy.¹¹¹ However, market rules and taxes also prevent industry and households from benefiting from the falling cost of renewables.¹¹²

High energy costs weigh heavily on investment sentiment, especially for energy-intensive manufacturing sectors. Policymakers must ensure that decarbonisation objectives are pursued in ways that support competitiveness and growth.

¹⁰² UK Government (2025) New approach to ensure regulators and regulation support growth
¹⁰³ European Commission (2024) The future of European competitiveness
¹⁰⁴ European Commission (2024) The future of European competitiveness
¹⁰⁵ European Commission (2024) The future of European competitiveness
¹⁰⁶ European Commission (2024) The future of European competitiveness
¹⁰⁷ Cabinet Office (2025) National Security and Investment Act (Notifiable Acquisition) (Specification of Qualifying Entities) Regulations 2021 (HTML)
¹⁰⁸ European Commission (2025) Revision of the Foreign Direct Investment Regulation
¹⁰⁹ European Commission (2024) The future of European competitiveness
¹¹⁰ Department for Energy Security and Net Zero (2025) The future of European competitiveness
¹¹¹ Eurostat (2024) Shedding light on energy in Europe
¹¹² European Commission (2024) The future of European competitiveness

At the same time, the scale of new generation and grid infrastructure needed to both decarbonise the economy and meet rapidly rising demand from data centres represents a critical challenge. Unless governments accelerate the deployment of renewables, Europe risks falling behind in capturing opportunities in energy-intensive industries such as AI.¹¹³

New investment frameworks could attract private capital to infrastructure projects

Additionally, there are specific challenges within the policy and regulatory environments of Europe’s largest economies, which could be addressed to encourage greater levels of inward investment:

- In regulated markets, clear policy priorities, prompt, predictable and proportionate implementation by regulatory authorities, and a fair rate of return on capital deployed will be crucial for leveraging the scale of investment being sought. In the UK, regulation of the water sector has been problematic for many years. Ofwat, the current regulator, set to be abolished,¹¹⁴ gave mixed signals to investors who at the same time were being asked to provide over A\$204.6 billion (£100B; €114.6B) of capital investment by the end of this decade. The recommendations of the Independent Water Commission, if enacted, offer a reset moment to ensure ‘investability’ over the medium term.¹¹⁵
- Public-private partnerships (PPPs) are a powerful tool for leveraging private capital into projects with a public interest. Greater clarity from governments on the terms and sectors in which PPPs are acceptable could unlock additional FDI. Despite the successful use of PPPs in developing the German federal trunk road network through the last two decades, new projects are now considered on a case-by-case basis.¹¹⁶ With the controversy around ‘Public Finance Initiatives’ across social infrastructure, PPPs have been restricted in the UK. More recently, the UK Government has indicated it intends to seek private partnerships to finance the Lower Thames Crossing, redevelopment of London Euston station, as well as in healthcare.¹¹⁷
- Governments could also consider alternative approaches to bridging the infrastructure investment gap by leveraging long-term private capital and preserving public capital where it is needed most. One option is asset recycling, where public infrastructure assets are operated and maintained by private investors for a limited period of time, such as 99 years. Proceeds can then be used by governments to invest in priority infrastructure projects, including social infrastructure, which may not have the same potential for generating commercial returns. Additionally, a ‘build-to-sell’ approach could be considered, in which government takes on the development risk for new assets before selling them or leasing them to long-term holders such as pension funds. A clear and steady pipeline of such opportunities may attract significant investor interest and create prospects for Australian pension funds to partner with local governments, pension funds and other investors.
- In Germany, there is scope to bring down project consenting times where they can range from a few years for smaller projects to over a decade or even up to 20 years for large infrastructure projects like rail projects.¹¹⁸ Action on extensive stakeholder participation, legal challenges, and potential land use conflicts could unlock greater levels of FDI into the country.

Conclusion

Australian pension funds have the scale, expertise, and long-term outlook to play a significant role in financing Europe’s future. By directing a growing share of their capital into the UK and EU, they can help close critical investment gaps in a manner that aligns with national objectives while also delivering strong returns for Australian workers. Realising this potential will depend on governments and investors deepening partnerships, creating stable and transparent policy frameworks, and ensuring projects are investable at scale. With these conditions in place, Australian pension funds are well placed to become enduring partners in driving the UK and Europe’s growth and competitiveness.



Appendices

¹¹³ European Commission (2024) *The future of European competitiveness*
¹¹⁴ Department for Environment, Food & Rural Affairs and The Rt Hon Steve Reed OBE MP (2025) *Ofwat to be abolished in biggest overhaul of water since privatisation*
¹¹⁵ Independent Water Commission (2025) *Final report*
¹¹⁶ Federal Ministry for Digital and Transport (2025) *Public-Private Partnerships in Federal Highway Construction*
¹¹⁷ Financial Times (2025) *UK government launches new wave of private financing for public services*
¹¹⁸ Bundestag (2023) *Federal Transport Minister Dr. Volker Wissing*

4.1

Approach to classifying Australian pension fund investments

To analyse trends over time, asset classes (as defined by the financial regulator APRA) have been classified as being either domestic or international, and operating in either private (i.e. unlisted) or public markets (Exhibit 11).

EXHIBIT 11

Overview of classification of Australian pension fund investments

Investment category	Asset classes included ¹
Domestic public	Cash Cash - market value of foreign exchange derivative contracts Cash offset derivatives Australian fixed income Australian listed equity Australian listed property Australian listed infrastructure
Domestic private	Australian unlisted infrastructure Infrastructure (listing and/or domicile not applicable) Australian unlisted equity Australian unlisted property Australian alternatives Private debt
International public	International fixed income Fixed income (domicile and/or sub-category not applicable) International listed equity (hedged) International listed equity (unhedged) International listed property International listed infrastructure Commodities
International private	International unlisted infrastructure International unlisted equity (hedged) International unlisted equity (unhedged) Equity (listing and/or domicile not applicable) International unlisted property Property (listing and/or domicile not applicable) International alternatives

¹ Asset classes as defined in the APRA (2025) Quarterly Superannuation Industry Publication. Source: SMC analysis; Mandala analysis.

4.2

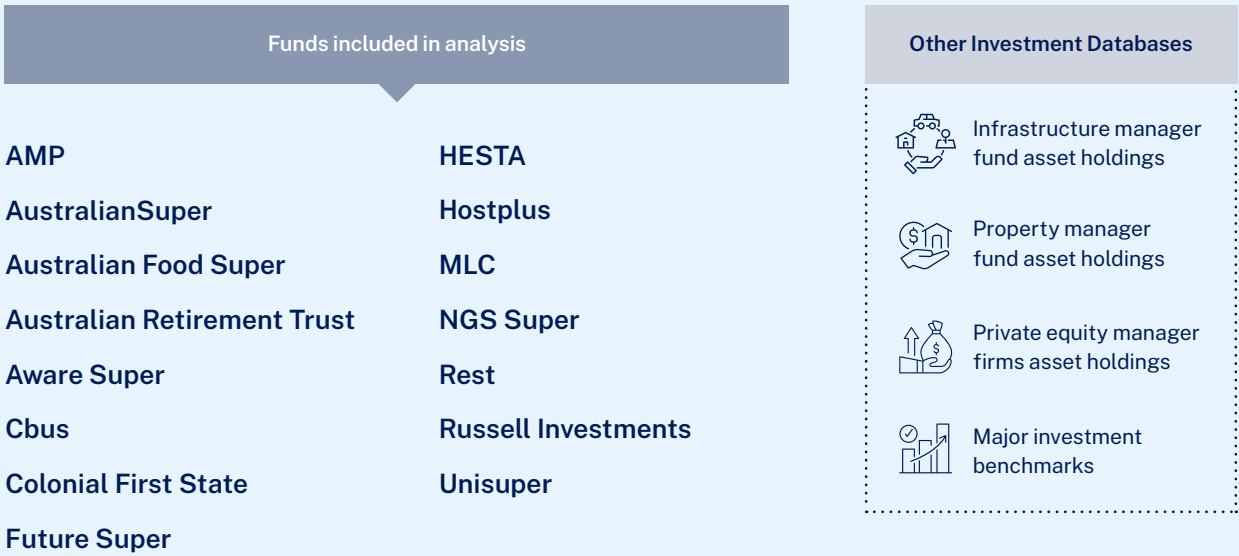
Methodology for collating portfolio holdings disclosure data for prudentially regulated funds

Our analysis draws on data from Portfolio Holdings Disclosure (PHD) and other investment databases, enabling a detailed examination of fund investments across asset classes (Exhibit 12). This look-through approach comprehensively explains how Australian pension funds, specifically institutional (i.e. prudentially regulated) funds, allocate their capital and contribute to global economic growth.

EXHIBIT 12

Overview of Portfolio Holdings Disclosure (PHD) and other investment datasets

Pension funds included in the mapping of data with Preqin



AUM: \$1.0 out of \$1.8



Portfolio Holdings Disclosure data outlines the funds' investments in external infrastructure, property and private equity firms. Combining this with Preqin dataset allows for the identification of assets that funds are supporting through their investments.

Note: AUM excludes assets not regulated by the APRA, which is Australia's primary financial services regulator. A number of funds included in this analysis are shareholders in IFM. Source: Australian Super (2025) *Portfolio Holdings Disclosure*; HESTA (2025) *Portfolio Holdings Disclosure*, Hostplus (2025) *Portfolio Holdings Disclosure*; Cbus (2024) *Portfolio Holdings Disclosure*; Mandala analysis.

To comprehensively understand the investment allocation of Australian pension funds by country and asset class, we selected a representative sample of funds. The sample was chosen to cover a significant share of institutional pension funds (approximately A\$1 for each A\$1.80 in total assets under management) and capture diversity across types and sizes (Exhibit 13).

The sample process began by including all large public-offer funds that publicly disclose their portfolio holdings. This includes 10 of the 12 largest public-offer funds, such as AustralianSuper, Cbus, and Aware Super. Due to their scale, these funds are central to understanding the overall trends in the sector.

We adopted a stratified sampling method for smaller funds to ensure broad representation. Funds with AUM below A\$60 billion (£29.3B; €33.6B) were grouped into quartiles. From the top two quartiles, we selected one prudentially regulated fund and one non-regulated fund in each quartile to reflect the variability in their investment strategies and asset allocations. We identified the median fund as a representative point in the third quartile, where AUM dispersion was lower. To maintain focus, funds in the bottom quartile (AUM below

A\$0.9 billion (£0.4B; €0.5B)) were excluded due to their limited impact on aggregate estimates.

To complement this, we leveraged additional databases, including private markets manager fund holdings from Preqin (a part of BlackRock) and major investment benchmarks, to enrich the analysis further.

The investment allocations for public equities were separately estimated by SMC, analysing PHD data from AustralianSuper, Australian Retirement Trust, Hostplus, Aware Super, HESTA, UniSuper and AMP.

By combining PHD data with these datasets, our portfolio look-through approach maps fund investments to specific assets, offering a granular perspective on listed and unlisted portfolios. This enables us to identify these investments’ geographic and asset class composition, painting a clear picture of how Australian pension funds are shaping global markets.

With this structured and data-driven approach, our analysis covers 59 per cent of Australia’s prudentially regulated pension funds by AUM, ensuring it reflects the breadth and diversity of Australia’s pension system.

EXHIBIT 13

Approach to sampling pension funds for Portfolio Holdings Disclosure dataset

Fund tier	Selection criteria	Rationale
Top 12 public offer funds by AUM	- All large public-offer funds with assets under management (AUM) exceeding A\$60 billion, such as AustralianSuper, Cbus, and Aware Super - Of these top 12 public offer funds, 10 of them have disclosed data on their portfolio holdings	- Select all public offer funds in the top 12 - Largest funds are central to understanding the overall trends in the sector due to their scale
Funds with AUM below A\$60 billion – top quartile	Select one profit-to-member fund and one profit-to-shareholder fund in each to reflect the variability in their investment strategies and asset allocation	Select two funds to reflect the variability in their investment strategies and asset allocations
Funds with AUM below A\$60 billion – second quartile		
Funds with AUM below A\$60 billion – third quartile	Select the median fund as a representative point	Given AUM dispersion is lower, we identify the median fund of the third quartile as a representative point

- Funds in the bottom quartile (AUM below A\$0.9 billion) were excluded due to their limited impact on aggregate estimates.
- With this structured and data-driven approach, our analysis covers 59% of the industry’s total AUM, ensuring it reflects the breadth and diversity of Australia’s pension system.

Source: Mandala analysis.

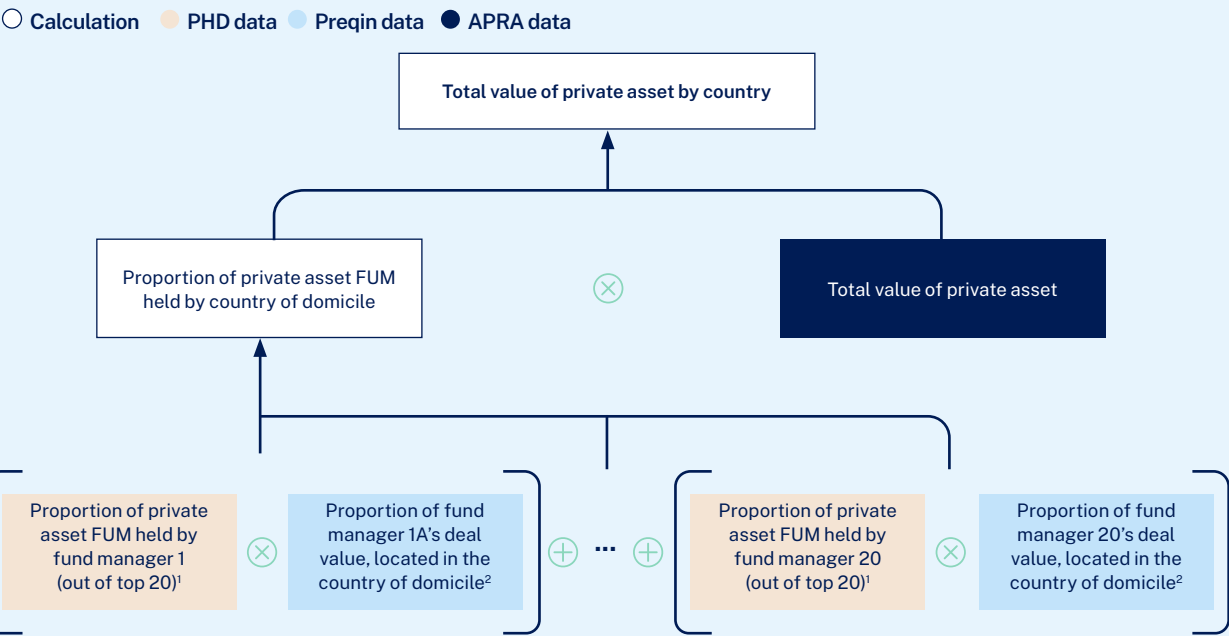
4.3

Methodology for estimating investments by domicile

The value of private assets by country of domicile and asset class was calculated using APRA, PHD, and proprietary fund manager data sourced from Preqin (a part of BlackRock) (Exhibit 14). Based on PHD data, we identify the largest 20 fund managers for each asset class in private market (except for alternative assets). Data from the largest 20 fund managers accounted for 85 per cent of international infrastructure investment, 49 per cent of private equity, and 82 per cent of real estate. This data was used as a sample to estimate the proportion of private assets domiciled in each country for each private asset class (private equity, infrastructure, and real estate). This approach provides a more detailed view of international investments by country of domicile and asset class.

EXHIBIT 14

Overview of methodology to estimate the total value of private assets held by Australian pension funds by country of domicile



¹ Top 20 fund managers’ deals data was analysed.

² Deals are used as a proxy for asset holdings.

Source: Portfolio Holdings Disclosure for a sample of Australian pension funds; APRA (2024) Quarterly Superannuation Statistics; Mandala analysis.

4.4 Methodology for forecasting investments in international private markets

The forecast investment pipeline into the UK and EU is based on a system level financial flow-of-funds model split into distinct asset classes, representative of the broad Australian pension industry (encompassing APRA and ATO regulated sectors).¹¹⁹

The current stocks of UK and EU investments are estimated by identifying the current asset allocation into foreign assets:

- Identify system level overseas asset allocations into public markets,¹²⁰ private infrastructure,¹²¹ private equity,¹²² private property,¹²³ and other private markets,¹²⁴ for institutional funds, aided by APRA Quarterly Superannuation Industry Publication (June 2025).¹²⁵
- Identify the proportion of these that are specific to UK and EU as guided by portfolio holding disclosure statistics from Mandala.

The projection of UK and EU investment assets is based on the modelling of specific asset allocation trends of superannuation investments, which are then split into (national/region based) groups. Asset allocation trends assume a gradual increase in the share of international assets in the forward estimates as per industry consensus.

A key component of the projected system-wide net asset is the estimation of future net cash flows. These along with other financial flows are sourced from sector-level financial performance tables from Quarterly Superannuation Performance Statistics (June 2025),¹²⁶ aggregated to annual frequency. The net cash flow incorporates broadly the following: member contributions less benefit payments, and insurance flows. These, along with net earnings and other changes, allow the forward net assets to be estimated.¹²⁷

Cash flow component projections are estimated based on the SPROUT and TAXMOD models, and trends observed in historical data. Financial performance table for SMSF sector, however, is only available in APRA Annual Bulletin, and as such the model uses the most recent June 2024 edition.

Investment returns for both institutional funds and SMSF over the projected period reflect average long-term historical returns. These statistics are derived from two key publications:

- APRA Quarterly Superannuation Performance Statistics (June 2025);¹²⁸ and
- ATO SMSFs: A statistical overview (2022-23 and historical publications).¹²⁹

4.5 Currency conversions

Conversions between AUD to GBP and between AUD to EUR are based on the point-in-time exchange rate on 29 September 2025.

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¹¹⁹ SMSF investments into overseas assets are relatively small, hence we consider APRA-regulated sectors in our main projections.

¹²⁰ Public markets: international fixed income (including domicile unknown), international listed equity (hedged/unhedged), international listed property, international listed infrastructure, commodities.

¹²¹ Private infrastructure: international unlisted infrastructure.

¹²² Private equity: international unlisted equity (hedged/unhedged), including domicile unknown.

¹²³ Private property: international unlisted property including domicile unknown.

¹²⁴ Other private markets: international alternatives including those domicile unknown.

¹²⁵ APRA (2025) *Quarterly Superannuation Industry publication*

¹²⁶ APRA (2025) *Quarterly Superannuation statistics*

¹²⁷ Total net assets to be scaled to total investments prior to splitting into asset classes and by domicile.

¹²⁸ APRA (2025) *Quarterly Superannuation Industry publication*

¹²⁹ Australian Tax Office (2025) *Self Managed Superannuation Funds*

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