BlackRock Global Infrastructure Solutions

Infrastructure Emerging Managers: Cultivating the Next Generation

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Key takeaways

Infrastructure emerging managers deserve an allocation in your portfolio.

1. **Attractive opportunity set.** Infrastructure fund sizes have shifted upmarket in recent years, creating space for specialized, smaller managers to target niche opportunities.

2. **Portfolio benefits.** Emerging managers can provide complementary exposure to more established managers, providing portfolio diversification through differentiated deal flow and enhancing alpha potential.

3. **Alignment and access.** Backing emerging managers early may offer stronger GP-LP alignment, favorable terms for investors, and access to co-investment deal flow that is harder to obtain from large- and mega-cap funds.

4. **Complex implementation.** With unique underwriting challenges, investing in emerging managers requires robust sourcing, disciplined underwriting, significant resources, and the experience to back the leading investors of tomorrow.

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What is an emerging manager?

The term “emerging manager” generally refers to **smaller and newer firms** building an institutional track record. This could include **debut funds** or new strategies within larger platforms.

Investors may qualify emerging managers **by fund vintage** (e.g., funds 1–3) or **fund size** (e.g., up to USD 2bn), but definitions vary by asset class.

In private equity, the breadth of managers often allows for tighter thresholds, while in infrastructure, the smaller GP universe may require higher size or vintage cutoffs.

Some clients prioritize **other characteristics beyond size and experience**, including specialist strategies, team background, or diversity.

Emerging managers typically operate with **leaner teams** and **fewer institutional resources** than established peers.

Source: BlackRock, as of October 2025. For illustrative purposes only.

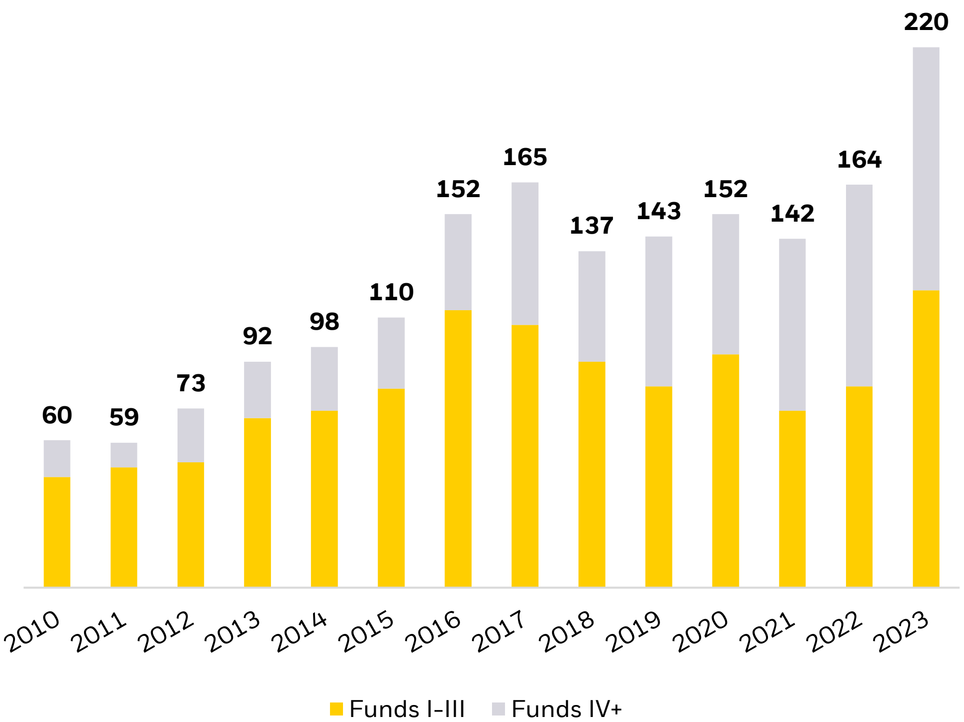
Emerging manager programs took shape in the 1990s and early 2000s, when several large U.S. pension funds formalized their efforts to back up-and-coming private equity and real estate managers to **access new sources of alpha**. Many of these programs remain active today, demonstrating the value of incorporating emerging managers into a broader portfolio to **generate strong performance and meaningful diversification**.

As the infrastructure asset class matures, **a new generation of managers is emerging** through spinouts, platform expansions, and opportunities in evolving market segments. This dynamic has created a **nascent but growing universe** of small and emerging infrastructure managers.

In 2024, **13 first-time infrastructure funds closed**, collectively raising USD 19bn out of a total market raise of USD 85bn across 38 funds[1]. The majority were spinouts led by seasoned industry veterans or new infrastructure strategies launched by established private markets firms. **These debut funds represented a meaningful share of overall fundraising**, at 22% of total dollars raised[1], underscoring the rising importance of emerging managers in the infrastructure landscape.

Infrastructure equity funds in market by inception year[2]

During the five-year period ending in 2023, fund vintages I–III represented approximately 50% of total funds in market



Source: BlackRock, as of October 2025. 1) With Intelligence, Infrastructure Fundraising Report 2024, March 2025. 2) Preqin, as of August 2025. Data shown for direct infrastructure equity funds only and excludes secondaries or fund of funds strategies. 2024 fundraising data is not shown due to limited data availability on Preqin.

Why emerging managers?

Emerging managers can provide numerous portfolio benefits.

- **Differentiated opportunities**
- **Stronger alignment of incentives**
- **Early relationships with high-potential teams**

Differentiated opportunities

Emerging managers offer the **potential for differentiated alpha** by pursuing regional- or sector-specialized strategies that tap into niche investment themes often inaccessible or too small for larger platforms.

Because emerging managers operate at the lower end of the market, these strategies can **complement exposure to large- and mega-cap funds**. Many seek to build platforms that can ultimately be sold to larger infrastructure funds, resulting in **greater exit opportunities**.

Smaller managers can also offer **strategic co-investment opportunities** that are increasingly difficult to access from larger managers, whose LP bases have grown significantly as they have moved upmarket.

Stronger alignment of incentives

Emerging managers often demonstrate stronger alignment and accountability as they work to establish their businesses. With **greater personal capital at stake**, they have heightened motivation to deliver performance and ensure the long-term success of the business.

Investors may also benefit from more **favorable and negotiable terms**, particularly when committing early in a manager's lifecycle or in the first closes of a fund, when capital is more valuable.

Did you know...

As of January 2025, the top 10 active infrastructure funds in market accounted for 30%+ of total market share. The remaining USD 314bn was spread across lower-market funds[1].

Early relationships with high-potential teams

Building early relationships with high-potential managers creates opportunities for investors to **form long-term strategic partnerships** while actively shaping the institutional development of these new and emerging platforms.

Early investors can help **guide the design of policies, procedures, and governance frameworks** essential for scaling the business. By influencing the establishment of effective talent management practices and embedding a strong organizational culture, investors position teams for long-term success and retention. Early partners can also **strengthen the credibility** of emerging managers, helping them build LP networks by **facilitating introductions** to like-minded LPs, **organizing investor clubs**, and serving as **references for prospective investors.**

Source: BlackRock, as of October 2025. 1) Infrastructure Investor, Fundraising Report FY 2024.

Navigating implementation

Framework to underwrite emerging managers

PEOPLE.

Quality and experience of the team, cohesion and culture, incentive alignment, talent philosophy, and clear plans for hiring and growth.

PROCESS.

Disciplined, repeatable, and scalable investment process with sound governance and checks on decision making.

PERFORMANCE.

Consistent and sustainable historical track record attributable to current investment leads, with evidence that results are not one-off.

PLATFORM.

Institutional-quality operations, compliance, reporting, third-party vendors, and ESG practices that can scale with growth.

PHILOSOPHY.

Differentiated investment strategy with proven value creation abilities and experience exiting investments in favorable market conditions.

PORTFOLIO.

Robust diversification, prudent portfolio construction, risk management, high-quality seed assets, and robust pipeline.

Source: BlackRock, as of October 2025.

Emerging managers may come with elevated risks...

Attributable track records
Limited team experience sourcing and executing investments under the new organizational structure

Team cohesion
Investment professionals may have limited history working together and may operate with subscale teams

Fundraising traction
Limited momentum may result in smaller fund sizes and concentration constraints for deployment

Operational processes
Resource constraints can lead to insufficient middle- and back-office support and weaker institutional controls

Execution risk
New managers must deliver without relying on their previous firms' sourcing network or asset management capabilities

Investing in emerging managers requires disciplined underwriting and specialist expertise to identify the top-performing platforms

Source: BlackRock, as of October 2025.

Spotlight: What are the main challenges that emerging managers face today?

Fundraising headwinds

LPs are consolidating their relationships, prioritizing re-ups with established managers, and showing greater caution toward first-time funds

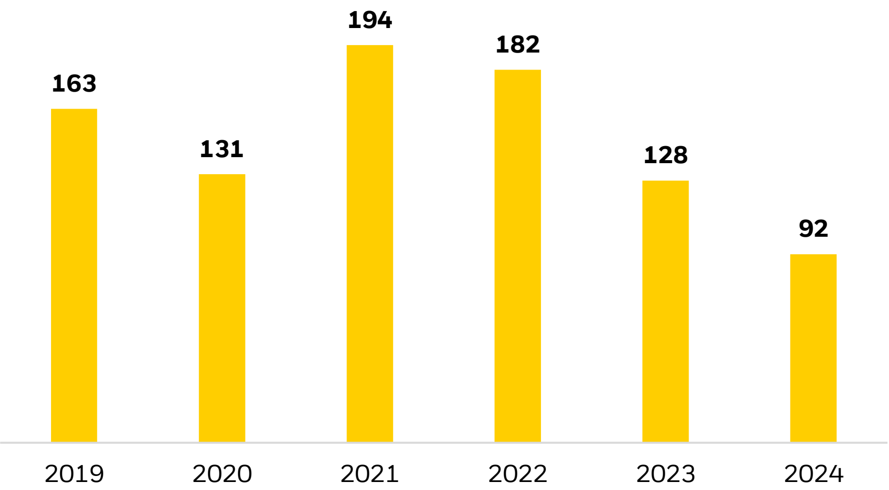
Operational hurdles

Emerging managers may face difficulty building scalable processes, governance frameworks, and best practices during early growth

Financial constraints

Smaller managers may lack the capacity to warehouse early investments, commit meaningful GP capital, and adequately invest in talent

Private infrastructure capital raised (USD bn)[1]



Did you know...

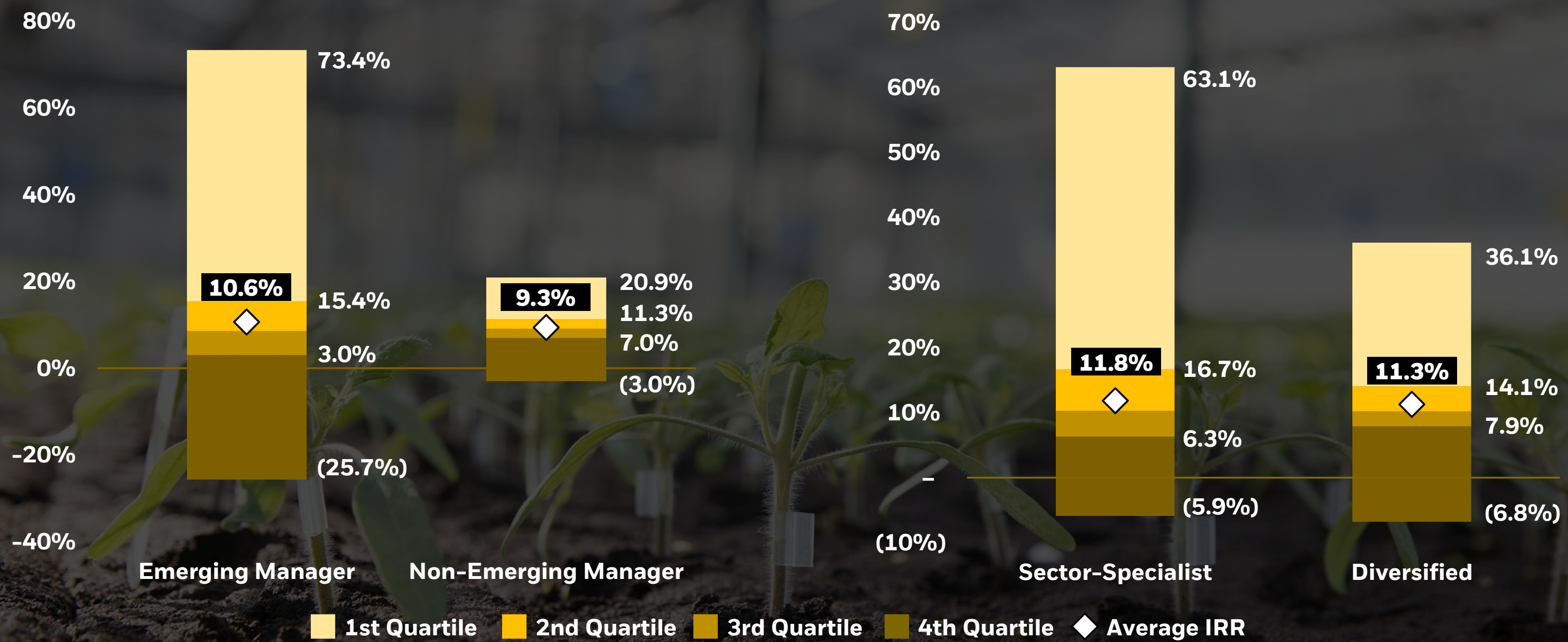
The 10 largest private infrastructure funds that closed in 2024 collectively represented 47% of the total capital raised in the market for the year.[1]

Source: BlackRock, as of October 2025. 1) Infrastructure Investor, Fundraising Report FY 2024.

Potential for outperformance

While dispersion is wider for emerging managers and sector specialists, there is greater potential for differentiated alpha generation

Performance of private infrastructure funds by manager type and strategy

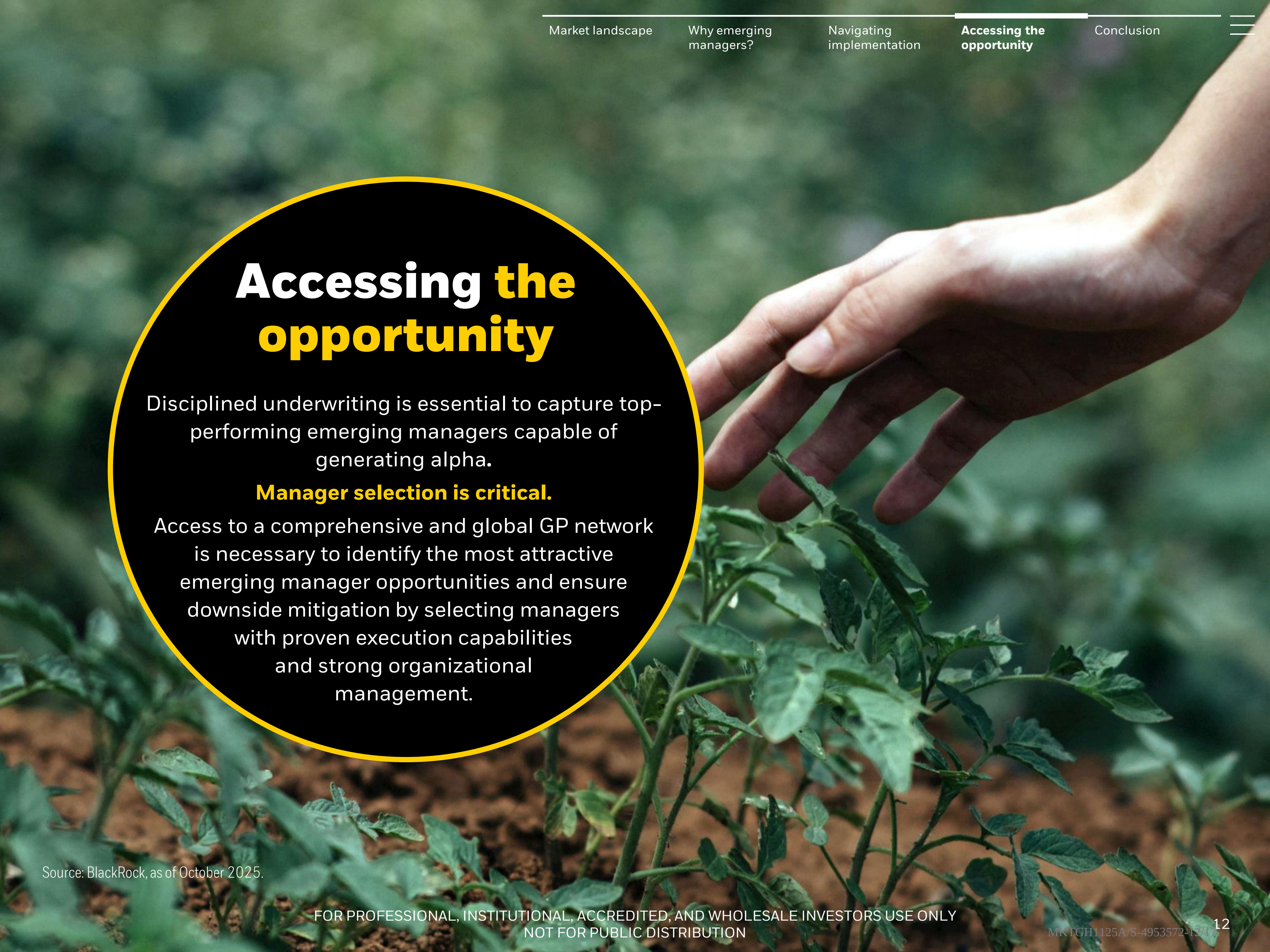


Emerging managers have higher average performance than more established managers, but have greater variability in outcomes[1]

Emerging managers often pursue sector-specialized strategies, while larger platforms tend to pursue multi-sector and diversified strategies[2]

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Source: BlackRock, as of September 2025. 1) BlackRock, as of August 2025. Emerging managers categorized as fund vintages I-III and targeting under USD 2bn in fund size. Performance reflects Gross IRR as of March 31, 2025, in USD terms. Note: N=79 and represents infrastructure equity funds screened by BlackRock. Recent investments are excluded as performance is not yet meaningful. 2) Preqin, as of August 2025. Performance reflects Net IRR based on latest available reporting. Note: N=239. Analysis excludes the 15 highest and 15 lowest outliers and any datapoints without listed Net IRR figures.



Accessing the opportunity

Disciplined underwriting is essential to capture top-performing emerging managers capable of generating alpha.

Manager selection is critical.

Access to a comprehensive and global GP network is necessary to identify the most attractive emerging manager opportunities and ensure downside mitigation by selecting managers with proven execution capabilities and strong organizational management.

Source: BlackRock, as of October 2025.

Implementation options

How can you build an emerging manager program?

Invest directly

Direct programs provide the greatest control and customization, allowing investors to **hand-select managers** and develop long-term partnerships with emerging managers early in their lifecycles.

Success requires building an expansive GP network and committing ongoing effort to sourcing, monitoring, and engagement. **This approach requires significant resources** to manage the program, build relationships, underwrite opportunities, and provide ongoing support to managers when needed.

Partner with a specialist

For investors without the scale, resources, or expertise to build a direct program, **partnering with an experienced multi-manager platform can offer many benefits**. These teams leverage **broad global networks and strong reputations** to identify talent early and deliver diversified exposure across a wide set of emerging managers. This approach reduces the operational burden, streamlines portfolio construction, and ensures ongoing oversight, governance, support, and engagement with underlying managers.

Many partnership programs are designed to “graduate” top-performing managers into LPs’ direct books, **creating a relationship pipeline without requiring dedicated internal resources to manage the program**.

Source: BlackRock, as of October 2025.

Invest in partners for life

1

Plant seeds.

The universe of infrastructure emerging managers is growing quickly as spinouts, specialist strategies, and concentration at the top create opportunities for new entrants. Investors who invest now can secure a **first-mover advantage while managers are still developing their track records and relationships.**

Delaying entry risks being crowded out as these managers grow, institutionalize, and attract a broader LP base.

2

Branch out.

Emerging managers often operate in segments of the infrastructure market where larger funds cannot. They may specialize in specific regions and sectors, investing in niche transactions that fall below the radar of more established platforms. This creates access to **deals that are both differentiated and difficult to replicate**.

This unique deal flow complements large- and mega-cap allocations to support the construction of well-diversified portfolios.

3

Harvest value.

Investing early in emerging managers creates the opportunity to **build long-term partnerships with future industry leaders**. Early investors can shape the institutional growth of these firms, secure more favorable economics, and gain priority access to transactions.

With disciplined underwriting and strong sourcing capabilities, investors can help develop the next generation of market leaders.

Source: BlackRock, as of October 2025.

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