

Private Debt is currently under pressure - Infra Debt remains largely unimpacted from the scrutiny.



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Why is this? What differentiates the asset classes?

Private debt is currently going through a turbulent period and is making headlines in many media outlets. After a decade of virtually uninterrupted growth, driven by banks' withdrawal from the market and investors' quest for returns, this asset class — currently estimated at over 2,000 billion dollars and potentially expected to reach 4,500 billion by 2030 — is now the subject of some scepticism.

Withdrawal freezes on certain funds and questions over valuations are signs that are reigniting reactions all too familiar since the subprime crisis.

Some investors and the broader public tend to view private debt as a homogeneous whole. Yet it is precisely this confusion that is fuelling the current mistrust. The reality, however, is quite different. Private debt





encompasses a wide range of different strategies, with very disparate risk profiles and distinct performance drivers (direct lending, mezzanine debt, infrastructure debt and property debt, etc.), which do not react in the same way to economic developments.

In the current environment, it is essential for investors to be able to distinguish between highly leveraged financing for a technology company and a loan backed by essential infrastructure.

Certain sub-segments of private debt are suffering

The tensions observed since the start of 2026 are concentrated in clearly identified segments. On the one hand, there are so-called semi-liquid vehicles, which offer investors a degree of flexibility whilst investing in assets that are illiquid by nature. On the other hand, there are vehicles underpinned by highly leveraged financing, often at variable rates, which are particularly prevalent in the technology sectors. The macroeconomic context acts as a litmus test here. Rising interest rates, whilst automatically improving returns, put the most heavily indebted borrowers at risk.

At the same time, uncertainties surrounding the impact of artificial intelligence on certain business models — particularly in the software sector — are heightening concerns. The result is a gradual rise in stress indicators, observable particularly in the United States. In the tech sector, rising default rates are expected in 2028 as loans reach maturity.

Private credit portfolios in Europe also appear to have exposure to technology, particularly enterprise software and SaaS borrowers, frequently underwritten on optimistic assumptions about future growth. These assumptions, as evidenced in the United States, are increasingly being challenged by accelerating AI-driven disruption. Although European private credit funds' exposure to enterprise software and SaaS borrowers appears to be lower than in the United States, it remains vulnerable to credit deterioration and potential write-downs.¹

Private debt is entering a phase of maturity

Beyond the specific case of infrastructure, the current developments reflect a more profound transformation of the market. After years dominated by volume growth and abundant liquidity, private debt is entering a phase of maturity.

In this new cycle, the ability to distinguish between sub-segments, analyse fundamentals and exercise selectivity is becoming crucial. For the private debt sector as a whole is not in crisis: we are simply witnessing a change in the market landscape.

1. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/784039/ECTI_BRI\(2026\)784039_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/784039/ECTI_BRI(2026)784039_EN.pdf)



Other sub-segments of private debt remain fundamentally attractive

Seen in this light, the asset class now gives some investors cause for concern. However, other sub-segments, such as infrastructure debt, remain excellent investment opportunities. Although it forms part of the private debt universe in the broadest sense, it differs profoundly from it in terms of its fundamentals. Its underlying assets – energy networks, transport infrastructure and equipment linked to the digital transition – are by their very nature essential, even strategic, and enjoy strong political support. Above all, its revenue streams are predictable and rely heavily on long-term contracts, often with public or regulated entities.

All these factors confer greater visibility and stability on this asset class. In practical terms, this structure translates into distinct risk profiles, with historically lower default rates than in corporate debt. This segment is also largely insulated from current market pressures, as it is primarily focused on exposures that are less cyclical and even less sensitive in the short term to technological disruptions.

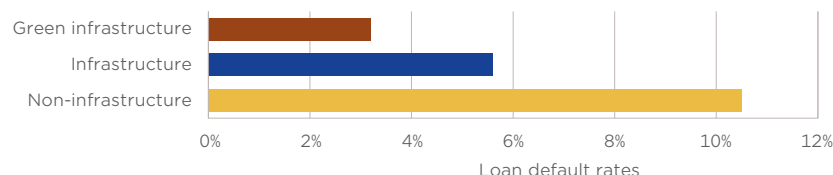
Furthermore, infrastructure debt financing arrangements are usually subject to strict conditions and are secured, regardless of whether the strategy is in the investment-grade segment or below. This package of safeguards contributes to protecting investors' capital in case a loan needs to be called early and creditor rights enforced.

How do the risk-return profiles compare with other asset classes?

What returns can investors expect?

Default rates on infrastructure debt are lower than those on corporate debt, particularly in the triple-B category. Over the last 20 years, for the BB segment, corporate default rates stood at 16 per cent after 10 years, compared with 9.4 per cent for infrastructure debt. For the BBB segment, they stand at 3.1 per cent for corporate debt and 2.6 per cent for infrastructure debt. Furthermore, the recovery rate is higher for infrastructure debt due to the tangible nature of the assets.²

Loan default rates: Infrastructure vs non-infrastructure - Global (20-year cumulative)



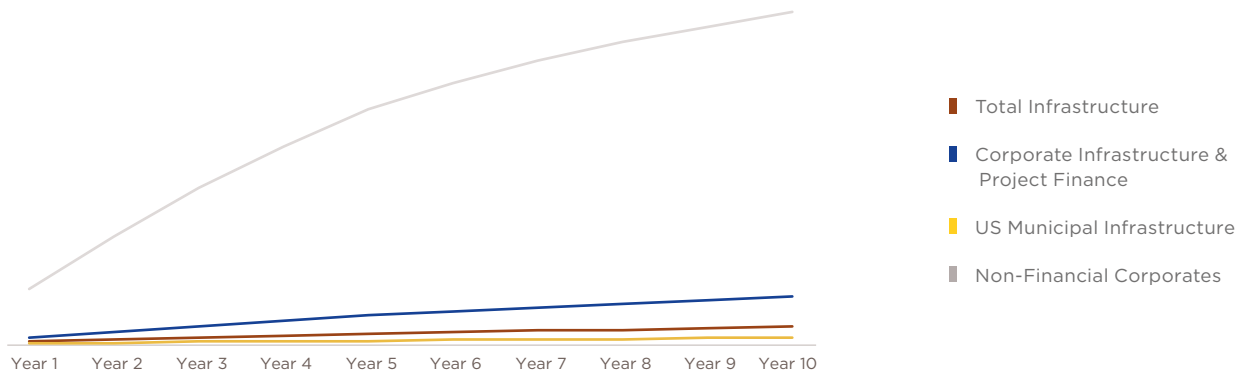
Source: Moody's and GEMs, as per World Bank Infrastructure Monitor 2024.

Note: Metrics from Moody's and GEMS differ slightly and cannot be compared directly.

This graph illustrates the materially lower default rates for infrastructure than non-infrastructure across leading data sources (Moody's, S&P, and GEMs).



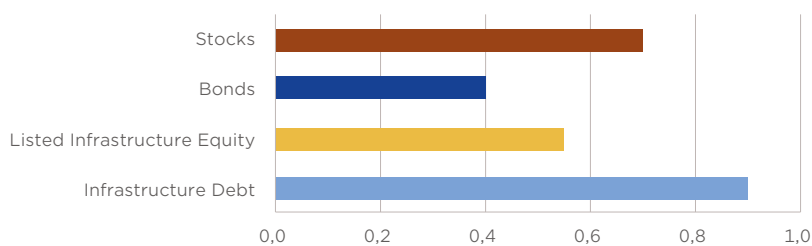
World Bank Infrastructure Monitor 2024



Source: Moody's Infrastructure & Project Finance : Infrastructure default and recovery rates, 1983-2023, July 2024

Whilst displaying a more attractive risk profile according to the above mentioned market data, infrastructure debt has also **outperformed** corporate and liquid bond peers at similar durations (yielding 4.9–5.1 per cent), with lower volatility (4.5–5 per cent) and with higher risk-return ratios (up to 0.98), according to data provider Scientific Infra & Private Assets (SIPA).³

Sharpe Ratio by Asset Class Worldwide, 2022



Sources: PortfolioLab for Sharpe ratio calculations on stocks, bonds, and listed infrastructure equity; for infrastructure debt, Global Infrastructure Hub, "Infrastructure Monitor 2022: Global Trends in Private Investment in Infrastructure" (2022)

3. <https://www.top1000funds.com/infocus/how-data-is-dragging-infrastructure-debt-out-of-the-shadows/>



How large are the respective markets/investment volumes?

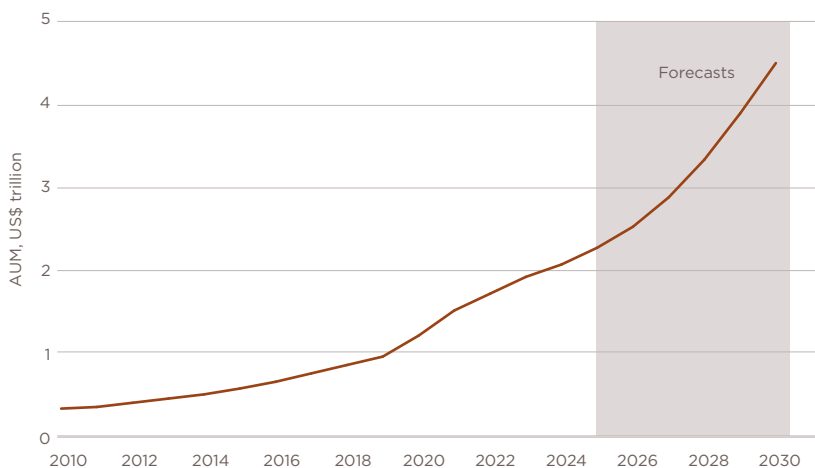
The global private credit market is estimated at around **\$2.3 trillion in assets under management (AUM) in 2025**, up from approximately \$380 billion in 2010, and is **projected to reach \$4.5 trillion in 2030**.⁴

Private credit has expanded rapidly since the global financial crisis, gaining market share from both bank lending and public markets, therefore emerging as a significant asset class and an increasingly interconnected component of the financial system. Tighter bank regulations after the 2008 Global Financial Crisis (GFC) constrained banks' balance sheet and reduced bank's capacity to lend, leaving portions of credit demand unmet and creating space for private credit funds to step in and provide loans.

The high growth may also have been driven by companies seeking to borrow more including those who are seeking quicker financing, more flexible terms and/or are embarking on significant capital expenditure.

The United States has the largest market, with an estimated size of around \$1 trillion, followed by the euro area and the United Kingdom, with much smaller but still sizeable markets.

Private Credit Growth (AUM), 2010-2030 — forecasts from 2025



Source: EGOV (Economic Governance and EMU Scrutiny Unit) elaboration based on Preqin (2025) and Financial Times

Out of the \$2.3 trillion global private credit market, Europe accounts for approximately \$400 billion. The Private credit market in Europe is expanding rapidly, establishing itself as an increasingly important major

4. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/784039/ECTI_BRI\(2026\)784039_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/784039/ECTI_BRI(2026)784039_EN.pdf)

PRIVATE DEBT IS CURRENTLY UNDER PRESSURE INFRA DEBT REMAINS LARGELY UNIMPACTED FROM THE SCRUTINY



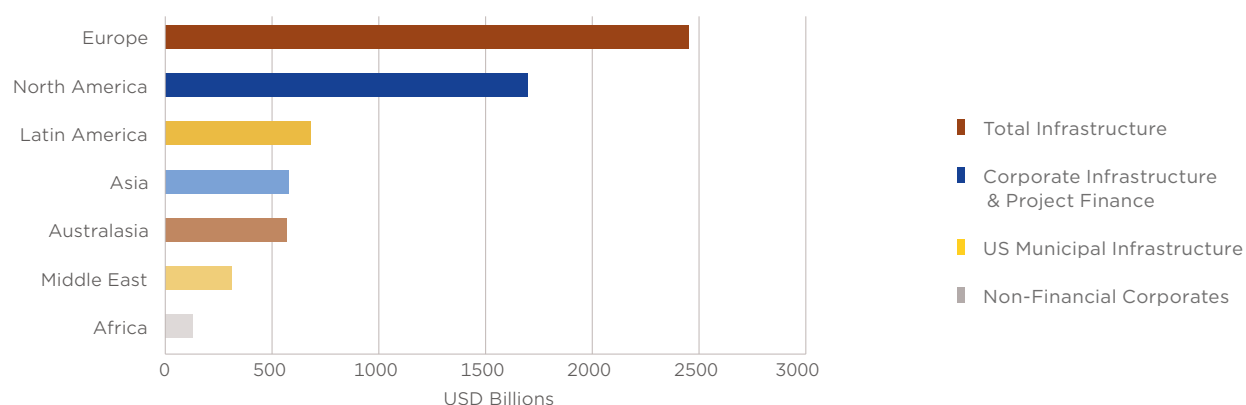
asset class: since 2010, private credit markets in the Euro Area have grown at an annualized rate of 13%.⁵

The expansion of the private credit in Europe, similar to the United States, has been driven by yield-seeking investors, bank withdrawal from lending following the capital regulations imposed after the 2008 GFC, and a prolonged period of low interest rates. In North America, direct lending represents the dominant segment of private debt. In Europe, the market has undergone a notable shift in recent years: activity has moved away from mezzanine debt—which typically commands higher fees due to its more complex and actively managed nature—towards direct lending strategies, just like in the United States.

The total global volume of infrastructure debt is estimated at between 3 and 4 trillion euros over the next four years, accounting for around 25 per cent of total infrastructure financing requirements (alongside equity and more traditional bank financing). This is expected to present unique opportunities for specialist credit investors. Infrastructure Debt is enjoying very strong momentum into 2026. This is underpinned by a backdrop of record issuance across the market in 2025 with 2,300 deals and over USD1 trillion volume closing globally, a 30+% uplift compared to 2024.⁶

Infrastructure debt has evolved into a global, institutional asset class central to the energy transition, digitalization, and modernization of essential services. Its appeal, as previously outlined, lies in the intrinsic characteristics of infrastructure assets — long-duration, tangible, essential, and historically resilient, providing investors with typically predictable cash flows, relatively limited correlation with public markets, and collateral value.⁷

Infrastructure Debt Volume Distribution by Region, 2010–2025



Source: “Infrastructure Debt: Alternative Credit to Finance the Future” (CFA Institute Research Foundation) with data from Infralogic

5. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/784039/ECTI_BRI\(2026\)784039_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/784039/ECTI_BRI(2026)784039_EN.pdf)

6. <https://www.allianzgi.com/en/insights/five-questions-on-reshaping-infrastructure-debt>

7. https://rpc.cfainstitute.org/sites/default/files/docs/research-reports/rf_infrastructure-debt_online.pdf



Which sub-sectors of Infra Debt are especially attractive for investors?

In a world economy defined by a rapidly progressing energy transition, decarbonisation, as well as the rollout of infrastructure to support the revolution in digital connectivity requirements, there are no shortages of opportunities to provide debt financing for infrastructure projects.

3 macroeconomic forces are converging to reshape the sector:⁸

- A wave of **renewed public spending**, as Western governments respond to economic stagnation, geopolitical tensions, and climate imperatives with stimulus plans focused on infrastructure, such as the EU's EUR800 billion NextGenerationEU fund, as well as the surviving parts of the Inflation Reduction Act and the more recent push for data center construction in the United States
- The **green energy transition**, which is accelerating demand for financing in renewables, power grids, and climate-resilient infrastructure—even amid political backlash against environmental, social, and governance (ESG) frameworks
- The **rise of AI and digital infrastructure**, which is driving exponential investment in data centers, telecommunications networks, and energy generation

As a consequence, \$94 trillion should be needed in infrastructure financing by 2040 to keep pace with growth and development requirements enabling the energy transition.⁹

We see the main investment themes in the following sectors:

Energy

\$2 trillion annually are expected to be required as investments by 2030 to transition to low-carbon economy¹⁰. We therefore see particularly attractive opportunities in the energy transition such as renewable energy, battery storage, smart meters, with a particular focus on prudent structuring and regulatory risk management.

Digital

\$428 billion annual expenditure to ensure global connectivity by 2030.¹¹ We consider within the digital infrastructure space predominantly assets such as data centres (with a preference for edge computing and colocation), telecommunications towers and fibre-optic networks, whilst actively avoiding digital 'bubbles'. Digital infrastructure has become a mission-critical asset class for the 21st century, with stable contracted revenues but heightened exposure to power supply constraints, which is a point of vigilance for investors.

8. https://rpc.cfainstitute.org/sites/default/files/docs/research-reports/rf_infrastructure-debt_online.pdf

9. Infrastructure Hub, March 2025

10. IEA (International Energy Agency) as of March 2025

11. Infrastructure Hub, March 2025



Social

- \$7.8 trillion required globally over the next decade to improve access and quality of social infrastructures. ¹² Within the social infrastructure space, we view alternative social infrastructure as one of the segments of the future, i.e. schools, hospitals and energy-efficient public buildings, backed by long-term public sector contracts and delivering a positive social impact.
- The emergence of this new asset class is partly the result of society evolving, in the context of mega trends such as an ageing population, digitalisation, the energy transition and globalisation. With the state not able to properly fund all the services that society requires, there is a growing role for the private sector to step in.
- An additional driver is the compression of returns for equity sponsors in traditional infrastructure. That has helped motivate both equity and debt players to push the boundaries of infrastructure and look for sub-sectors that can provide better returns and better margin for the lenders.

Conclusion

The private debt sector is undergoing a profound transformation but is not facing an existential crisis. Whilst risks in the software and tech sectors are rising noticeably, the asset class remains fundamentally attractive in selected sub-sectors. Infrastructure debt, in particular, offers a haven with low volatility thanks to predictable cash flows, public-sector borrowers and infrastructure projects that are essential to society. Investors should therefore stop viewing private debt as a homogeneous block and instead separate the wheat from the chaff.

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