

The KKR logo is displayed in a bold, white, sans-serif font at the top left of the page. The background of the entire page is a composite image featuring a city skyline at night, a sunset sky with orange and blue hues, and a network of glowing blue lines and white nodes overlaid on the city, suggesting a digital or infrastructure theme.

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Investment Insights

Infrastructure Is No Longer Optional:
At the Center of Geopolitics, Technology,
and Economic Regime Change

Infrastructure Outlook 2026

Infrastructure Is No Longer Optional: At the Center of Geopolitics, Technology, and Economic Regime Change

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Infrastructure has always been the quiet architect of prosperity — the foundation behind rising living standards, economic mobility, and societal progress. Investment in water systems, power grids, and transportation networks was simply considered a discretionary accelerant of economic growth. Today, a new layer of infrastructure is no longer optional. Data centers, fiber optic networks, telecom towers, power generation capabilities, and more, are essential to national and economic security, as well as critical enablers of the future global economy.

Nations are measuring competitiveness not just by GDP, but by gigawatts. Corporations differentiate not only by innovation, but by access to compute, connectivity, and reliable power. Security is defined not just by military power, but by resilience of supply chains. Infrastructure is dynamic, mission-critical and deeply intertwined with national security, technological leadership, and economic resilience.

Meeting this moment demands a scale and sophistication of investment that is unprecedented in history. Coordinating power generation with digital expansion, navigating geopolitical realignment, and managing regulatory complexity to deliver projects requires precision and discipline at every stage. The capital involved is equally staggering — projected to require more than \$106 trillion by 2040¹ — a sum beyond the capacity of governments or corporations to shoulder alone.

Private capital, therefore, is no longer just complementary to the buildout. **It is essential.**

The race to build the backbone of the future economy is well underway. The stakes are high, but so are the opportunities. Success will belong to the most disciplined capital — firms that can manage complexity, remain disciplined, and deliver value to investors and stakeholders alike.

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1. Source: McKinsey

Three Structural Forces Shaping 2026's Infrastructure Outlook

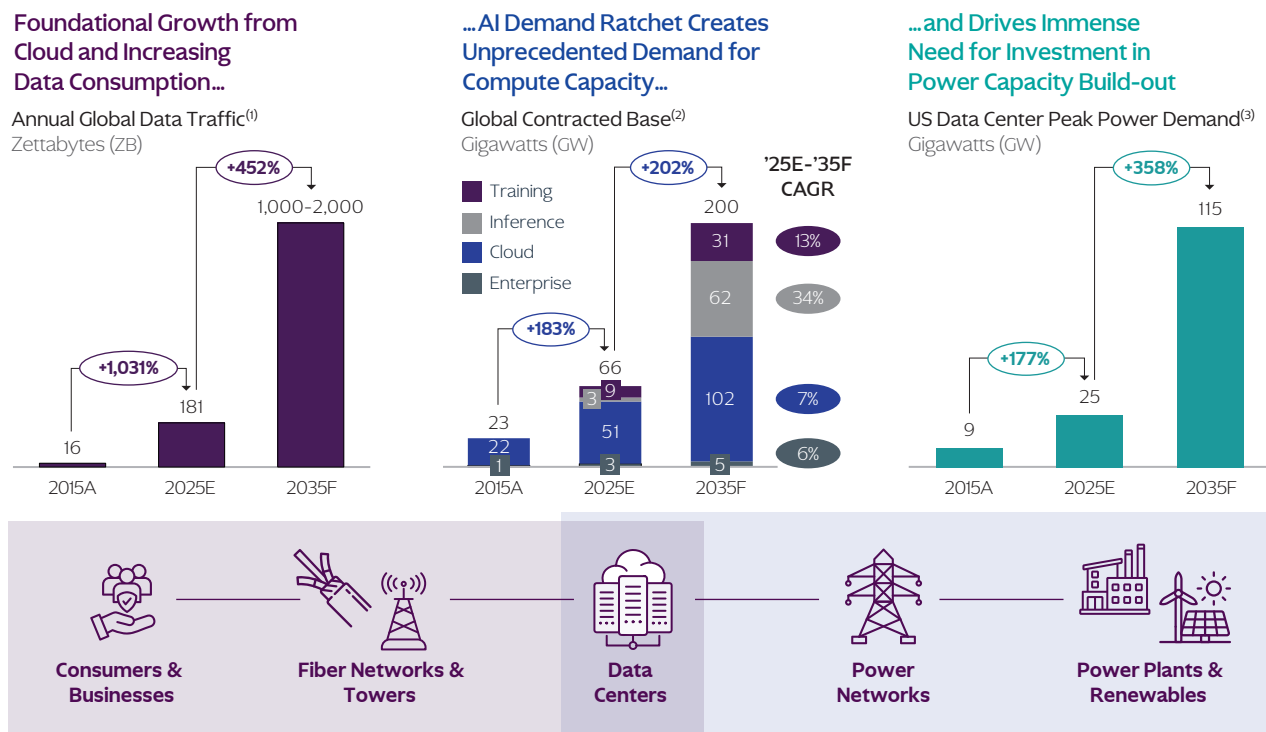
Today's infrastructure landscape is being reshaped by the collision of three powerful, structural forces: hyper-competitive geopolitics replacing benign globalization, rapid technological transformation, and a global economic regime shift. Each of these forces is consequential on its own. Together, they are redefining how infrastructure is financed, built, and operated:

1. Hyper-competitive Geopolitics: The era of ever-deeper globalization has transitioned to strategic competition, with adversaries and allies alike competing to secure and accelerate their economies. Tariffs have returned. Export controls are expanding. Industrial policy is back. Governments are prioritizing domestic manufacturing, national champions, and supply chain resilience in strategic industries. And as we see in the conflict in the Middle East, infrastructure is very much on the front line of kinetic conflict. Infrastructure must now be viewed through a geopolitical prism.

2. Technological Transformation: At the same time, the pace and scale of technological change is unprecedented. The explosion in computing demand — driven by artificial intelligence, digitization, automation, and electrification — is dramatically increasing the need for data centers, fiber optic networks, mobile connectivity, and reliable power (Exhibit 1). The International Energy Agency projects that global electricity demand will rise by at least 40% in the coming decade— requiring unprecedented investment across generation, transmission, and storage. The digital revolution is not just virtual. It is energy-intensive and infrastructure-dependent.

3. Economic Regime Change: Overlaying these shifts is a broader economic reset. The post-pandemic world has brought higher inflation, structurally higher interest rates, and elevated sovereign debt — particularly in developed markets. Even where inflation has moderated, including Europe and most of Asia, the past few years have demonstrated how quickly geopolitical shocks can reverberate through capital markets and supply chains.

Exhibit 1: A Map of Future Digital and Energy Infrastructure Growth



(1) Source: GSMA Market Intelligence, Mobile Data Traffic Q3 2025, ICF data (2025).

(2) Source: Data Center Dynamics (March 2025).

(3) Source: Data Center Hawk Data Center Market Recap (2025).

These three forces reinforce and amplify one another. Protectionist policies, such as tariffs and trade restrictions, can intensify inflationary pressures. Elevated sovereign debt burdens increase the urgency of productivity gains. Artificial intelligence is increasingly seen not just as a commercial opportunity, but as a national imperative to drive economic growth, competitiveness, and national security.

The convergence of hyper-competitive geopolitics, technological transformation, and economic regime change has heightened the criticality of infrastructure: it is the platform upon which competitiveness, productivity and resilience will be built.

In the pages that follow, we examine each of these forces more closely. We will explore how they shape our approach to investing in infrastructure and how we proactively prepare for a world defined by this strategic confluence. Inherent complexity in today's world amplifies certain risks, but it also creates generational investment opportunities.

1. Hyper-competitive Geopolitics: Preparing for a World of More Frequent Policy and Geopolitical Shocks

Our Infrastructure platform was formed in 2008, in the depths of the Global Financial Crisis. In the ensuing 17 years, we have navigated Europe's sovereign debt crisis, Brexit, a global pandemic, zero-interest-rate policy, an inflation shock, and multiple geopolitical conflicts. What is clear today is that both the scale and frequency of these market-shaking, systemic events is only accelerating. Hyper-competitive geopolitics, coupled with more populist and nationalist politics in many major economies, will drive even more frequent policy pivots.

In these types of environments, resilience must be engineered.

For us, that means using the full weight of our platform: integrating macro insights, policy analysis, operational expertise, and prudent underwriting. We leverage a deep and broad base of in-house experts, including the capabilities of the KKR Global Institute, our Public Policy & Affairs team, Global Macro & Asset Allocation and KKR Capstone's operational experts to anticipate and, to the best of our abilities and resources, scenario-test potential disruptions before they materialize. Staying ahead of policy shocks requires deliberate forward-looking planning.

Impacts of Political Outcomes

Ahead of the 2024 U.S. elections, for example, we recognized that both political outcomes could drive significant policy shifts — whether via the Trump Administration's favored tariffs, or the Biden Administration's favored directional investment incentives, or other policies. Months, and in some cases, years before the election, we undertook a cross-team, full portfolio mapping exercise to assess:

- Revenue exposure to tariffs or protectionist policies
- Workforce exposure by geography
- Supply chain dependencies
- Sanctions vulnerability
- Cost structures lacking inflation pass-through
- Other structural exposures

This forward-looking analysis allowed us to identify potential vulnerabilities early on, and coordinate with our portfolio companies to mitigate them in advance wherever possible.

When tariffs were ultimately introduced, our portfolio-level impact was limited — not because we predicted the exact policies, but because we had prepared for directional risk. That approach allowed us to take action like securing supply of materials whenever we had construction commitments, or adding second or even third sources of supply, thereby protecting margins and preserving optionality.

Investing Through Policy Cycles: The Renewable Energy Story

The renewable energy sector illustrates how disciplined underwriting can mitigate policy volatility.

Over years of investing in the sector, we have seen incentives expand and contract, enthusiasm surge and recede, and capital markets oscillate between exuberance and skepticism. In 2021-2022, the passage of the Inflation Reduction Act drove heightened market and investor enthusiasm, pushing up valuations, compressing returns and bolstering growth expectations. But by 2023, inflationary pressures and rising input costs began to strain developed economics.

Though KKR had stayed cautious during peak enthusiasm, it was during the transition from exuberance to more caution beginning in 2023 that we acquired Avantus, a U.S. utility-scale solar developer and energy storage company.

By working with our colleagues across the firm, we kept our underwriting risk-based and not dependent on future policies or incentives. It focused on localized power supply and demand dynamics, asset quality, regional economics, and the ability to execute.

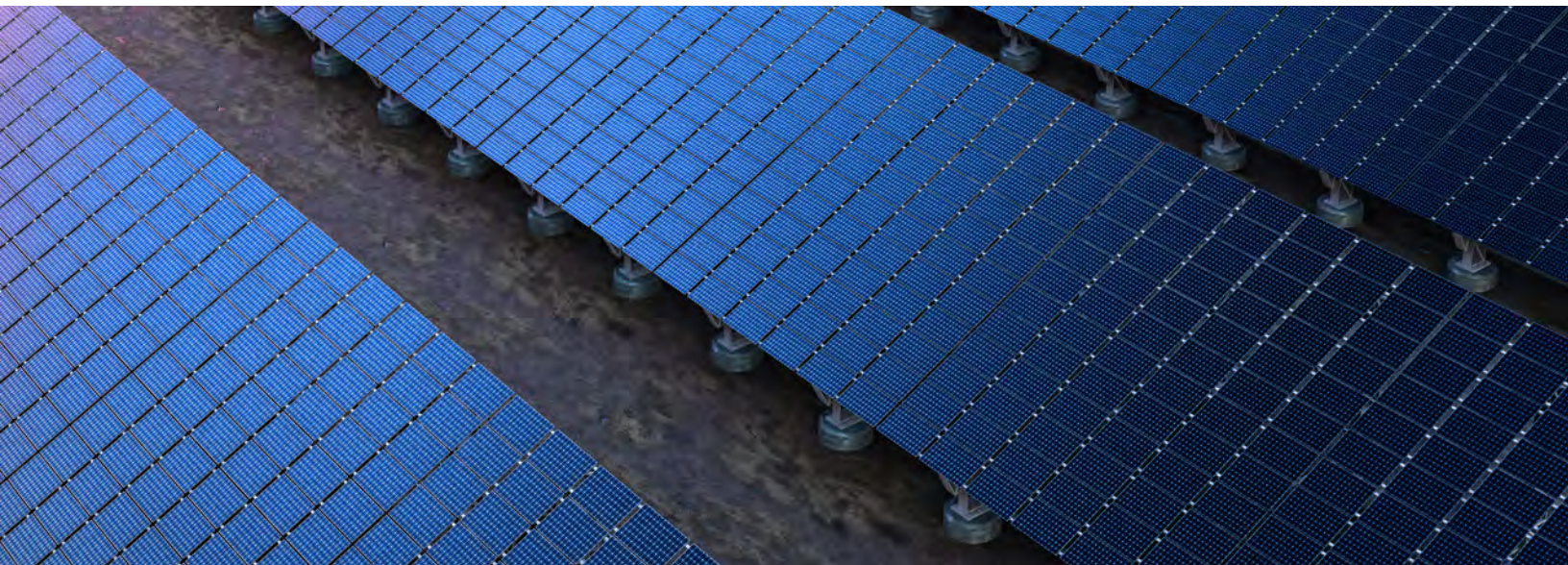
When renewable incentives were reduced under the One Big Beautiful Bill Act in July 2025, Avantus was protected in two important ways.

First, it held a highly advanced development pipeline, with projects that had already safe harbored tax credits and progressed through key permitting stages, providing visibility into project buildouts.

Second was resilience to reduction in incentives. Avantus' portfolio is concentrated in the Southwest desert, where solar-plus-storage is a competitive source of power on the basis of cost and speed to market, even without material incentives. The region's high solar exposure lowers production costs, as alternatives are limited and high-cost, with natural gas plants operating near capacity and water constraints restricting new development.

This ability to develop new power generation capacity, independent of incentives and regardless of fuel source, is of tremendous value. Across markets, utilities are confronting the same structural challenge: how to meet the digital power problem with rising digital and electrification-driven demand while maintaining affordability and reliability. The objective is resilient, lower-cost electrons, whether from fossil fuels or the sun.

All energy can be “good energy” if the business is durable across policy cycles.



2. Technological Transformation: Playing Offense in a Complex Environment with Digital Infrastructure

Nowhere is the impact of geopolitics and technology intersecting more acute than in digital infrastructure. Put simply, “winning” AI is a national economic and strategic priority of the highest order. Export controls, financial incentives, data sovereignty rules, and a growing web of policies are moving fast, yet the rate of technological transformation and adoption is moving even faster. Infrastructure investors must play offense and be positioned to capitalize on complexity.

The largest opportunities today require coordination across land, power, connectivity, capital, regulators, builders, and technology providers. Increasingly, value accrues less to stand-alone asset owners and more to integrators that can compress the critical path and deliver synchronized capacity at scale.

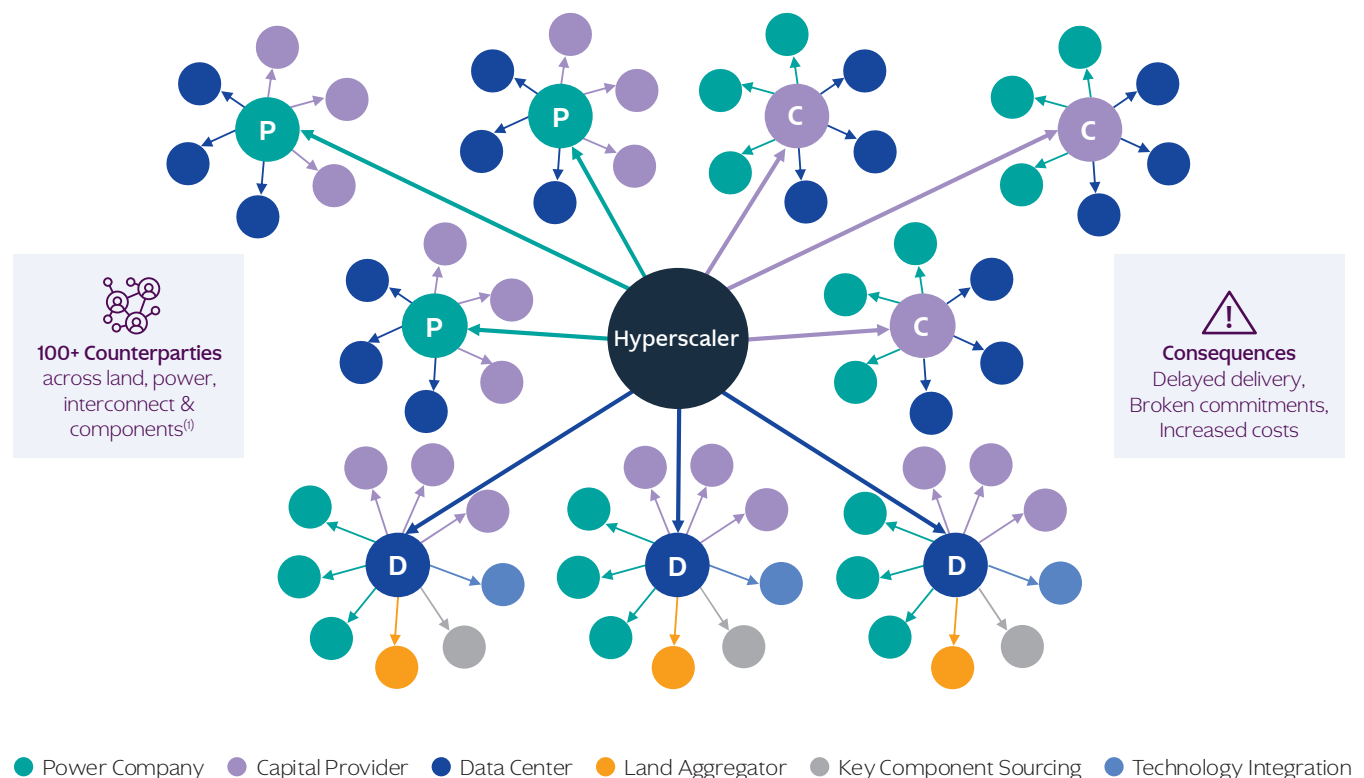
The Compute Value Chain: Certainty as a Product

A hyperscaler seeking to develop a data center campus may need to coordinate with over 100 counterparties spanning multiple areas of expertise (Exhibit 2):

- Power generation and transmission providers
- Land aggregators
- Builders and engineers
- Capital partners
- Equipment supplies
- Network integrators

In this environment, the scarce product is not the shell (i.e. the physical structure) itself. It is certainty: energized, connected capacity delivered on time. Integration is the mechanism by which that certainty is created. Delivering power, compute, capital and connectivity as an integrated solution reduces friction, increases certainty of execution, and shortens time-to-market.

Exhibit 2: Why Value is Migrating to Integrators



In 2025, our portfolio company CyrusOne announced the development of a 288MW data center in Bosque County, Texas. This campus will be powered by an adjacent existing natural gas-fired power plant, Thad Hill Energy Center, owned by Calpine.

This configuration — co-located power and compute, aligned capital partners and contracted demand — exemplifies how integration reduces execution risk. More importantly, Bosque County should be understood not simply as an attractive project, but as proof of a repeatable delivery template: one counterparty, one schedule, one balance sheet. The point is not a specific fuel solution; it is that reliable, economic power aligned with the compute timetable has become part of the product. In our view, this model represents the direction of travel for hyperscalers seeking a large-scale compute infrastructure with speed, certainty, and replicability.

Under the leadership of Adam Selipsky, former CEO of Amazon Web Services who was recently named as a senior advisor to KKR, and Waldemar Szlezak, Global Head of Digital Infrastructure, we are organizing to serve hyperscalers in precisely this fashion.

Fiber: Scale as Strategic Control Point

Fiber is often treated as adjacent to compute. In reality, it's part of the compute fabric. As AI workloads concentrate around major hubs and then distribute across regions, route diversity, low-latency transport,

and reliable backhaul² become strategic requirements, not afterthoughts. Hyperscalers are increasingly opting for dedicated infrastructure rather than relying solely on legacy telecom routes.

Given KKR's \$5 billion global fiber-optic portfolio spanning eight different investments, we convene semi-annual Fiber Summits, bringing together more than 20 executives across our platforms to address shared strategic issues. That matters in a deeper way than procurement alone: it allows us to translate portfolio scale into better execution and better customer outcomes.

Through these summits, we identified an active network of equipment providers that is a common supplier to our entire fiber portfolio. Rather than negotiating as eight independent businesses, we recognized an opportunity to approach the provider as a unified global customer.

The result has been noticeable across our companies: improved service levels, enhanced supply reliability, and better commercial terms. In fact, a 2023 global master service agreement secured portfolio-wide savings that no single company could have achieved alone. But the more important point is strategic: coordination at scale improves resilience, accelerates deployment, and creates a more dependable connectivity solution for customers.

At scale, coordination itself has become a source of structural advantage.

2. Backhaul is the underlying fiber transport layer that connects distributed compute locations to core data hubs, ensuring that large volumes of data can move quickly, reliably, and with minimal latency between regions.



3. Economic Regime Change: Infrastructure as a Strategic Core Allocation

The forces reshaping infrastructure — hyper-competitive geopolitics, technological transformation, and economic regime change — are not fleeting dislocations. They define the new investment regime in which we operate.

Inflation may have moderated cyclically, but we do not expect a return to the pre-pandemic “old normal.” Fiscal deficits remain elevated. There may be a truce in the trade wars, but baseline restrictions are higher. Industrial policies and inward-looking politics are becoming more entrenched. Conventional oil and gas pricing remains volatile and susceptible to conflict.

At the same time, traditional diversification tools have weakened. The stock-bond relationship has been less reliable in the post-GFC era. Cross-asset return dispersion has narrowed. Starting valuations across many public markets are less forgiving.

In this environment, portfolio construction matters more.

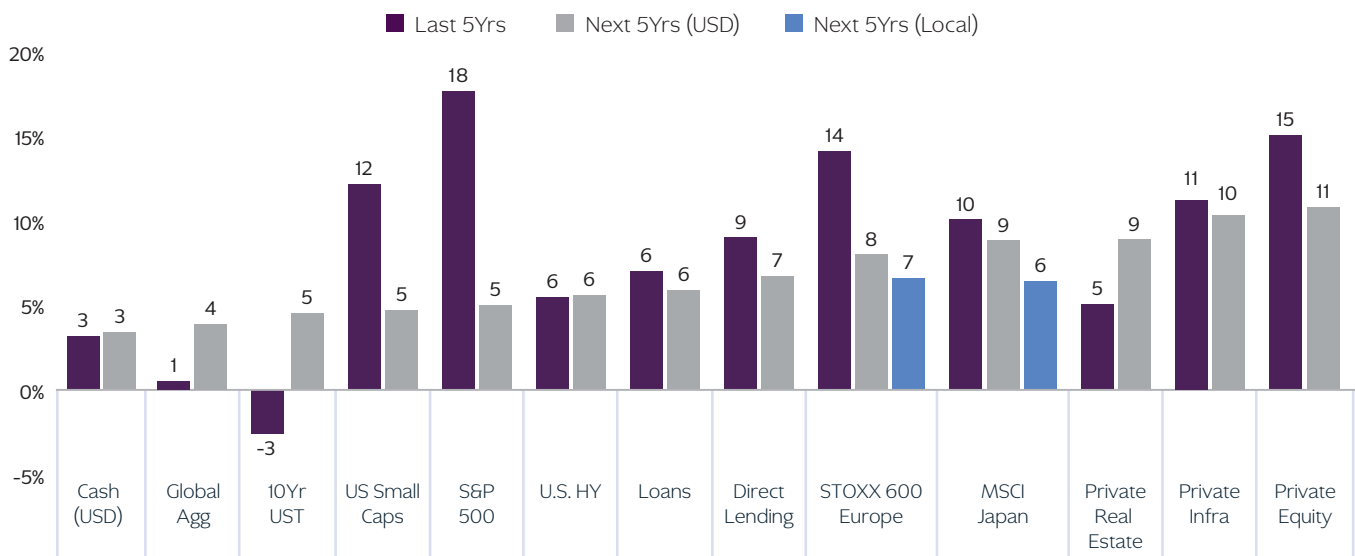
Based on KKR’s recently published [Capital Market Assumptions](#), Exhibit 3 illustrates the shift clearly.

Looking ahead five years, expected returns across public asset classes appear meaningfully lower than what investors realized over the past five. The regime tailwinds that lifted broad beta exposures — particularly in public equities — are unlikely to repeat at the same magnitude. Incremental performance is therefore less likely to come from passive exposure and more likely to come from underwriting discipline, active operational engagement and governance, structural growth exposure, and careful asset selection — what we call [high grading](#) portfolios.

This is where private infrastructure stands out. It remains among the highest expected return asset classes over the next five years, with lower expected volatility because it is usually supported by long-term contracted or regulated cash flows. Embedded inflation linkage and exposure to secular demand drivers such as digitalization, electrification, and supply chain modernization, further enhance the go-forward expected risk-return of infrastructure investing (Exhibit 3).

Exhibit 3: We Continue to Think Expected Returns³ Over the Next Five Years Will Look Quite Different Relative to the Past Five

Expected vs. Historical Returns, %



Last 5-Years return from October 31, 2020 to October 31, 2025 for consistency across asset classes. Private Markets as at Q2'25.

Source: Bloomberg, BofA, Burgiss, Cambridge Associates, KKR Global Macro & Asset Allocation analysis. **Past performance is no guarantee of future results.**

Indexes are unmanaged. It is not possible to invest directly in an index.

3. Expected Returns are hypothetical estimates based upon historical nominal returns and are provided for illustrative purposes only. They are in no way indicative of any investment strategy or product offered by KKR. Expected Returns are calculated using probability-weighted average outcomes and are susceptible to uncertainty and error. All returns are compounded annually.

Exhibit 4 reinforces this point from a different angle. When viewed through a return-per-unit-of-volatility lens, private infrastructure has historically delivered enhanced risk-adjusted returns relative to many public counterparts.

In a regime characterized by tighter fiscal constraints, elevated geopolitical risk, and structurally higher capital costs, allocators are increasingly prioritizing real, collateral-backed, long-duration cash flows in resilient businesses. Infrastructure meets that need.

Taken together, these dynamics suggest infrastructure is no longer simply a portfolio diversifier. In the next investing regime, it will serve as a strategic core allocation — a foundation that combines structural growth with resilience in a world where both are increasingly scarce.

Success will belong to the most disciplined capital — firms that can manage complexity, remain disciplined, and deliver value to investors and stakeholders alike.

Conclusion

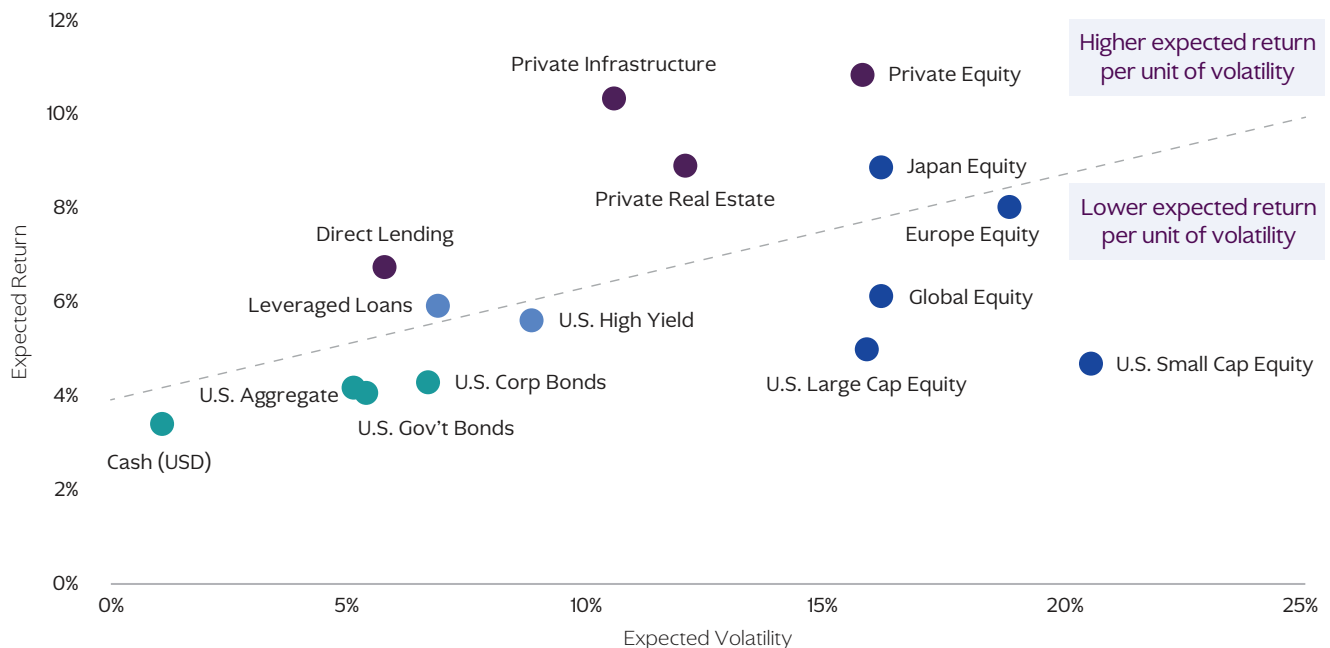
The job of an infrastructure investor today is more complex than it was a decade ago. Policy shocks are more frequent. Capital intensity is higher. Counterparty and geopolitical considerations matter more. In this environment, not all infrastructure is created equally, nor will all infrastructure benefit the same. But complexity, when navigated with discipline, creates opportunity.

The future economy will not be built solely upon code or spreadsheets or language models. It will be enabled by data centers, fiber optic networks, telecom towers, transmission lines, renewable assets, natural gas pipelines, and transportation networks.

Those who can combine operational excellence, macro awareness, and disciplined capital allocation will help deliver that future — and, we believe, be rewarded for doing so.

Exhibit 4: Private Markets Provide an Enhanced Return for Their Volatility Levels When Compared to Their Public Counterparts

Asset Class Return and Volatility Expectations



Source: Bloomberg, BofA, Burgiss, Cambridge Associates, KKR Global Macro & Asset Allocation analysis. As of November 2025. Expected volatility is measured by standard deviation and is based quarterly data with exponential weighting and 6yr half-life.

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