

To: Australian Securities & Investments Commission

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Australia's evolving capital markets: A discussion paper on the dynamics between public and private markets

Who we are

IFM is a global asset manager owned by a collective of 15 Australian profit-to-member superannuation funds. Nest, the largest UK pension fund by members, recently entered into an agreement that will see it take an ownership stake in IFM parent company Industry Super Holdings.¹ We invest on behalf of our owners and more than 700 institutional investors around the world. These include pension funds collectively responsible for managing the retirement savings of over 120 million people globally.

IFM's purpose is to invest, protect and grow the long-term retirement savings of working people. We currently manage over \$250bn in funds across five asset classes: infrastructure equity (\$120.6bn), debt (\$41.6bn), listed equities (\$66.4bn), real estate (\$20.4bn) and private equity (\$1.1bn).²

IFM believes that both public and private markets play important roles in meeting the diverse risk and liquidity appetites of institutional investors and their beneficiaries.

We are the fourth largest infrastructure manager in the world.³ Our funds' unlisted infrastructure equity investments in Australia include stakes in Sydney Airport, the Port of Brisbane, and Ausgrid. Across the Americas, the UK and Europe our portfolio spans investments in energy and utilities, transportation (airports, sea ports and toll roads) and digital infrastructure (broadband and data centres).⁴

IFM is also active in private debt markets in Australia and offshore. Funds in our debt asset class are invested across the spectrum of investments: from highly liquid, short-term cash investments through to less liquid, longer-term debt and infrastructure. Partly through IFM, superannuation

¹ For further details about the agreement see IFM's media release available here: <https://www.ifminvestors.com/en-au/news-and-insights/media-centre/leading-uk-pension-fund-nest-to-join-ownership-group-of-industry-fund-collective-manager-ifm-in-global-private-markets-push/>

² All dollar figures in this submission are Australian dollars. All asset class fund totals are as at 31 December 2024.

³ IPE Real Assets (2024) IFM Investors: super patient capital: <https://realassets.ipe.com/top-100-infra-managers/ifm-investors-super-patient-capital/10074332.article>

⁴ Further details of our infrastructure investments can be found here: <https://www.ifminvestors.com/en-au/capabilities/infrastructure/asset-portfolio/>



funds provide an increasingly important source of debt for Australian businesses, providing an alternate source of funding to banks.⁵

In our private equity portfolio, we focus on the provision of growth capital for technology and technology enabled business service companies based in Australia and New Zealand. This includes companies that provide data and technology services to the financial services industry, the supply of diagnostic imaging services, and the development of software that automates retail energy billing.

Leading Australian property funds manager ISPT has recently joined IFM. We now have an unlisted real estate portfolio comprising 139 properties located across Australia in sectors including office, retail, education, healthcare and social infrastructure.

As a large and growing participant in global private markets, IFM believes such markets must have the confidence of investors and regulators, as well as the broader community, including members of superannuation funds. We would welcome the opportunity to discuss this submission and related matters with ASIC in more detail as the consultation process progresses.

Superannuation and private markets

The discussion paper notes the growing size of Australia's APRA-regulated superannuation system and suggests the system will likely play an important role in driving the further growth of private markets in Australia and offshore.

A key benefit of private markets is that they help to diversify portfolios by adding unlisted assets that do not usually correlate with publicly traded assets. The total performance of a portfolio that includes private market assets may therefore exhibit less volatility than one comprising listed investments. A related benefit of unlisted assets is that their value does not normally change on an hourly or daily basis. They are not subject to the short-term volatility of stock price fluctuations which are often driven more by shifts in market sentiment or a group of traders at the margin than changes in fundamental value.⁶

This dynamic is as much a feature of a bear market as in a bull market, notwithstanding that external scrutiny of unlisted assets seems to heighten when the listed market is in decline but is almost entirely absent when the listed market is in ascendancy.

Investment in unlisted infrastructure has become a key component of many superannuation fund portfolios, including through funds managed by IFM. In the decade to 2024, the value of allocations to unlisted infrastructure among funds regulated by APRA increased more than three times.⁷ This is partly because infrastructure has several properties making it well suited to portfolios supporting superannuation fund investment, aligning it with the objective of superannuation.⁸ These include:

⁵ For a recent assessment by IFM of different lending conditions in a number of markets, and the opportunities for private debt in Australia, see Wanigasekera, H. and Nunez, L. (2025) The opportunity in Australian private debt markets, available here: https://www.ifminvestors.com/siteassets/shared-media/news--insights-pdfs/the-opportunity-in-australian-private-debt-markets_2025.pdf

⁶ Frontier Advisors (2022) Super in the Economy: The investment opportunity in Australian private markets.

⁷ APRA Quarterly Superannuation Statistics, February 2025.

⁸ "To preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way" as enshrined in the Superannuation (Objective) Bill 2023.



- The potential for infrastructure to deliver strong total risk-adjusted returns that can support retirement incomes.
- Lower volatility of private infrastructure returns relative to listed assets demonstrates its potential to stabilise overall portfolio returns.
- Infrastructure tends to provide a natural inflation hedge, with most core infrastructure assets having pricing mechanisms that are directly or indirectly inflation linked.
- Private infrastructure has historically low correlation with other asset classes and can enhance portfolio diversification and provide downside risk protection.
- Unlike equities and bonds, unlisted infrastructure's underlying return streams can be closely linked to regulatory or contractual frameworks associated with the nature of these assets as providers of essential community services. The asset class therefore has the potential to continue to perform well during periods of global economic and political instability.

Recent analysis by IFM examines the integration of private market assets within traditional asset allocation strategies to assess performance impacts across a number of investor risk profiles. The study finds that defensive investors benefit from allocations to infrastructure and private credit, achieving lower volatility and higher returns. Balanced investors see similar advantages with a stable allocation to infrastructure. The results add weight to IFM's view that private market assets have a material role to play in optimising investor portfolios.⁹

The superannuation system and its allocations to private markets are an increasingly important source of capital for the economy as a whole and for Australian businesses. Like many OECD countries, Australia is at risk of a growing 'gap' in infrastructure investment relative to Australia's significant infrastructure needs, particularly in areas linked to housing and energy.¹⁰ IFM's funds have ownership stakes in a number of critical infrastructure projects in Australia including:

- Ausgrid – the largest distributor of electricity on Australia's east coast, providing power to 1.8 million customers. It is supporting the energy transition partly by installing community batteries and rolling-out Electric Vehicle charging infrastructure across its network.¹¹
- Port of Brisbane – a cornerstone of the Queensland economy. It is one of Australia's fastest growing container ports and the state's largest multi-cargo port.¹²
- Melbourne Airport – Australia's second busiest airport. A solar farm began operating at the Airport in 2021. A second farm will start this year. The two solar farms will generate enough energy to power terminals 1, 2, 3 and 4.¹³

We drive asset-level business plans and strategy through representation on boards and access to senior management. In the context of customer-facing infrastructure assets, such as toll roads and

⁹ IFM (2025) Optimising Private Market Asset Allocations, available here: https://www.ifminvestors.com/siteassets/shared-media/news--insights-pdfs/eu_ifm35_optimal_private_portfolio_v3.pdf

¹⁰ https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/04/providing-local-actors-with-case-studies-evidence-and-solutions-places_20b385f4/understanding-infrastructure-market-capacity-constraints-in-australia_ee35e44a/fa8dbdbf-en.pdf

¹¹ <https://www.ausgrid.com.au/-/media/Documents/sustainability/Sustainability-Report-2024.pdf?rev=05fb2d7fbf2343c9b1425e3415155711>

¹² <https://www.portbris.com.au/about/who-we-are>

¹³

https://www.melbourneairport.com.au/community/solar?srsId=AfmBOop9Vih1DSSAkM3Q7XpVwXqhWb4Kz1hAov7QGV9IVpJLYI_Qos8



airports, we aim to use our influence to support necessary long-term capital investment to maintain the assets while also enhancing the customer experience.¹⁴

Reporting and disclosure

IFM understands that as private markets grow in size and complexity regulators need to be able to assess the potential risks to investors and the financial system.

The discussion paper notes that regulatory agencies in Australia have limited access to information about private markets that is recurring, comprehensive and standardised. This is in contrast to developments overseas, such as in the European Union, where new reporting and investor disclosure requirements for fund managers in private markets are being implemented in accordance with the Alternative Investment Fund Managers Directive (AIFMD).

IFM provides our clients with regular disclosures about the costs, risks and performance of the products they invest in. This includes regular written reports, online briefings and responding to client queries. Many of our clients in Australia are superannuation funds which report regularly to APRA on fees, performance and asset allocations to private markets.

Should ASIC and other regulators conclude that additional reporting and disclosures are needed, the scale and granularity of any new requirements should avoid duplication and be carefully calibrated to strike an appropriate balance between the public benefits of obtaining more information and the costs of providing it.

We note from the discussion paper that ASIC intends to make new data it collects publicly available, on the basis that it may improve consumer and industry outcomes and competition. However, some data, such as current valuations of private market assets, are commercially sensitive. If this data were in the public domain when an asset is being sold, potential buyers would know the exact price they should bid, rather than let that price be set by market conditions. Reduced prices because of mandated public disclosure of valuations would damage the financial interests of investors, such as superannuation funds and ultimately fund members. They could also reduce the attractiveness of investing in private markets, meaning less capital may be available for infrastructure and other private businesses.

We note that in 2021 the Commonwealth abandoned plans to compel superannuation funds to disclose specific asset values as part of the Portfolio Holdings Disclosure framework. Together with many superannuation funds and peak bodies, IFM argued that the proposed rules were not well designed, failing to provide flexibility to avoid the disclosure of commercially sensitive information. The Government eventually concluded that such disclosures would be detrimental to members' best financial interests.

¹⁴ For example, IFM is a co-owner of Manchester Airports Group which is implementing a £1.3 billion Manchester Airport Transformation Programme. This will increase terminal capacity while enhancing customer experience partly via new check-in and security facilities. More details here: <https://mediacentre.manchesterairport.co.uk/mag-announces-440m-investment-in-final-phase-of-13bn-manchester-airport-transformation-programme/>



Valuations

The discussion paper states that valuation-related risks are a matter of concern in the context of growing private markets. Some market participants have expressed concern about the quality of private asset valuations and whether they are sufficiently responsive to changes in market conditions.¹⁵

IFM has an overarching valuation policy in place that supports regular and rigorous valuation processes and a governance structure that ensures potential conflicts are recognised and managed. This is designed to be consistent with APRA guidance, international valuation standards, and other applicable regulatory settings. We consider robust valuation processes to be critical to supporting the integrity and efficiency of private markets, and to our capacity deliver appropriate outcomes for our owners and clients. For example, conducting robust valuations is critical to the integrity of reported unit prices for superannuation funds' investment options.

IFM undertakes regular, detailed valuations while tailoring some elements of our valuation practices to considerations such as asset size, complexity, market conditions and cost. For example:

- IFM's infrastructure assets are typically large, complex equity investments. Valuations of these assets are conducted at least quarterly by independent valuers complying with established international valuation and financial reporting standards. Our valuations are informed by real market outcomes, such as performance and transactions within relevant peer groups comprising a mix of listed and unlisted comparators. These valuations are then audited annually by independent external consultants. Clients can access the valuation reports on request. Asset valuations are disclosed in our annual and quarterly reporting to investors.
- In our private equity portfolio assets are also valued at least quarterly. They are undertaken externally if the asset value exceeds a set dollar threshold.
- In private credit, our assets are valued at least monthly, typically using external valuers. Details about the costs, value and performance of assets are provided in regular IFM updates to investors and when requested by investors out of cycle.
- Our real estate assets are typically valued on a quarterly basis by external, independent valuers. These valuations are then verified by our experienced in-house valuations team who conduct a detailed review of the calculations and assumptions. We conduct an external audit of valuations, valuation policies and processes annually. The results of valuations are provided to investors every quarter.

In addition to regular valuations, assets may be subject to out-of-cycle valuations (OCVs). Triggers for OCVs are set out in IFM's valuation policy and include events such as: significant changes in operational conditions such as increased sovereign risk; the failure of a major competitor or client; significant changes in the performance of an asset's underlying business relative to expectations; significant changes to relevant market indices (e.g. S&P Global Infrastructure) and other indicators

¹⁵ While not stated explicitly, parts of the discussion paper could be read as suggesting that pricing is more reliable in public markets. However, in public markets price movements are often driven by the marginal trade, so the price often reflects a small segment of whole market. In private valuations the whole entity is looked at in its entirety and valued in light of current market conditions and other factors including recent comparable sales.



such as the Australian 10 Year Treasury Bond Yield. Quantitative OCV triggers are monitored and reviewed on a weekly basis.

Public equity markets

In addition to participating in a number of private markets, IFM manages around \$66bn in Australian and international listed equities investments. Listing on public markets can be appropriate for some companies, offering levels of liquidity and ease of access to capital that some may find difficult to obtain in private markets.

The discussion paper notes that since the pandemic Australia has experienced a net decline in the number of listings and capital raised through initial public offerings (IPOs), with IPOs at their lowest level in over a decade. One explanation given for recent IPO trends focuses on the costs (time and resources) and complexity of satisfying the listing rules required by the Corporations Act and ASX. This is particularly relevant to small cap companies.

We note that ASIC is currently exploring opportunities with the ASX to refine the listing pathway and rules. There may be useful lessons to be drawn from initiatives in the UK such as the Alternative Investment Market (AIM). The AIM is operated as a sub-segment of the London Stock Exchange (LSE). It is designed to help smaller and riskier companies to secure capital from the public market by placing different requirements on companies than the LSE's Main Market in areas such as minimum trading periods and market capitalisation requirements. Similar measures in an Australian context would need to ensure robust protections for investors.

However, AIM has not been immune from broader IPO trends. By January 2025 the total number of companies in the index had fallen to 680, from an all-time high of 1,700 in 2007. The LSE is currently considering plans to reform the index.¹⁶

Thank you for the opportunity to comment on these issues. For further information please contact me at: [REDACTED] [@ifminvestors.com](mailto:[REDACTED]@ifminvestors.com)

Yours sincerely,

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¹⁶ <https://www.morningstar.co.uk/uk/news/261579/aim-at-30-can-lse-reforms-revive-struggling-market.aspx>