

Principal Asset Management



Private markets offer financing solutions during periods of geopolitical transition



Private markets have long financed infrastructure, but their role may be becoming more important as geopolitical transition reshapes global priorities. As countries place greater value on strategic physical assets, private capital is likely to play an increasingly important role in funding critical infrastructure and other public goods.

The global geopolitical system is clearly in a period of transition. That matters for markets not only because it creates uncertainty, but because geopolitics acts as the operating system for the global economy. As that system is rewired, the effects are likely to be felt across trade, energy, technology, and national security.

At a high level, many countries are responding to heightened uncertainty and insecurity, driven in part by shifts in how the United States engages globally, by reducing reliance on any single partner or system. That adjustment is reshaping global trade, resource and energy scarcity, and the evolving competition for strategic advantage in artificial intelligence (AI).

The evolving role of private markets

As geopolitical priorities shift, private markets are likely to play a larger role in financing strategic assets tied to energy security, supply chain resilience, and national competitiveness. In many cases, that means helping fund infrastructure and systems that governments have traditionally treated as public responsibilities.

That role is becoming more important as governments operate with less fiscal flexibility. The International Monetary Fund (IMF) projects that global public debt will reach 100% of GDP by 2029, limiting the public sector's ability to finance major infrastructure needs on its own. That is creating a larger opening for private capital to help fund critical assets.

That opportunity spans a wide range of essential infrastructure, from pipelines and ports to power systems and trade-route security. The common thread is that these assets support economic resilience, national security, or both.

Key areas of opportunity for private capital

For private capital investors, several areas stand out as likely opportunity sets within this geopolitical shift, particularly where strategic priorities are creating demand for long-term investment in physical assets linked to national resilience and strategic autonomy:

Supply chains: Supply chains are becoming more regional as major economies seek to reduce concentration risk and build greater resilience into production networks. That shift is likely to drive investment in manufacturing capacity and trade-related infrastructure across regions such as Europe, Asia, Latin America, and the Middle East.

Energy security: The Iran conflict has reinforced how exposed global energy flows remain to a small number of chokepoints, particularly the Strait of Hormuz. It has also highlighted the strategic importance of Saudi Arabia and the UAE's efforts to expand alternative routes and related infrastructure. More broadly, the need for diversified energy and commodity corridors is likely to support investment in transport, storage, and energy networks across the Middle East and beyond.

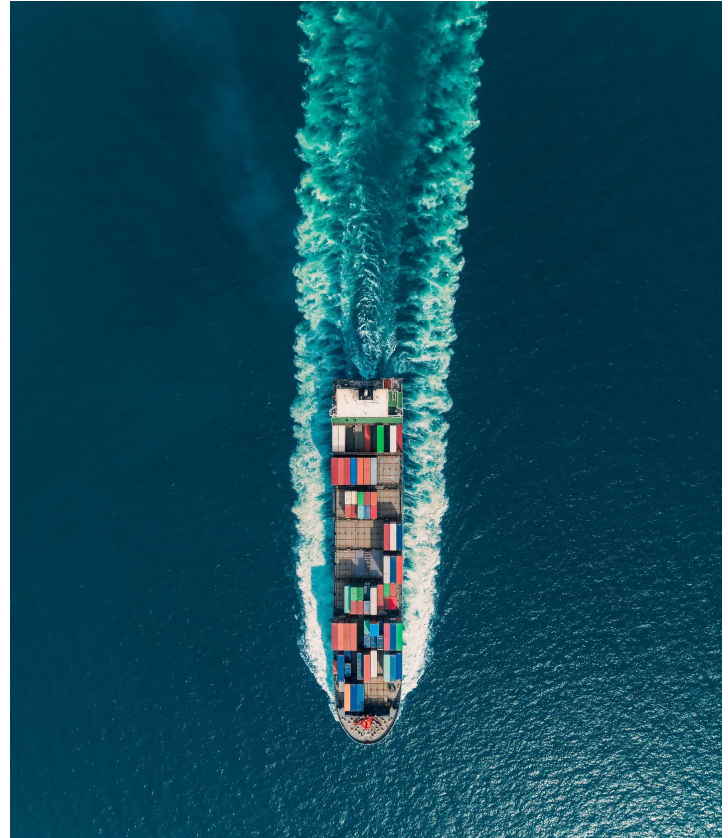
AI infrastructure: Competition between the U.S. and China in AI and advanced technology is increasing the strategic value of digital and physical infrastructure. That includes data centers, energy generation and storage, transmission networks, fiber connectivity, and wireless infrastructure. These assets may provide exposure to long-term structural growth while also offering more stable, contractual income streams than higher-volatility technology investments.



Staying clear-eyed on political risk

Private market investors may need to give political risk greater weight in the period ahead. Beyond the usual commercial and operational due diligence, geopolitical considerations are likely to matter more than they have in the past, particularly as countries compete for access to strategic assets and potentially impose new restrictions or oversight on capital flows.

For example, the U.S. and China are each in the process of expanding restrictions on outbound investment by domestic investors. Both governments link investment restrictions to concerns regarding technology transfer, and both employ national security rules that may make certain investments subject to government reviews. In this environment, careful due diligence that incorporates geopolitical and regulatory considerations will be essential for deploying capital effectively.



Conclusion

Political decisions being made today to mitigate geopolitical vulnerabilities across trade, energy, security, and technology are likely to shape the global economy for years to come. At the same time, high levels of public debt are constraining many governments' ability to respond on their own. For investors, that environment may bring greater political and regulatory risk, but it is also expanding the opportunity set in areas tied to resilience, security, and strategic autonomy. Against this backdrop, private markets are well-positioned to help fill the financing gap, supporting the development of critical infrastructure and physical assets that underpin economic security in a more fragmented and uncertain world.

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