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Sovereign investors Prioritise Resilience, Innovation, and Diversification Amid Heightened Geopolitical and Market Uncertainty

- 71% of central banks and 54% of sovereign wealth funds agree that resilience considerations are becoming as important as return in portfolio design
- Infrastructure has been the fastest growing alternative asset class over the last five-years for sovereign wealth funds
- ETF adoption has reached a meaningful threshold among sovereign investors, with 39% now using them, but central banks and sovereign wealth funds are using the same wrapper for fundamentally different reasons.
- Sovereign investors view AI as a structural shift, yet 52% cite market concentration as the primary portfolio risk of AI related investments

London, 29 June 2026 — Sovereign investors managing approximately US\$29 trillion are undertaking a broad reassessment of portfolio construction, according to the **14th annual Invesco Global Sovereign Asset Management Study**. The findings highlight a fundamental shift in how both central banks and sovereign wealth funds balance resilience, returns, and diversification in a more complex investment environment.

The study, which engaged 144 institutions comprising 90 SWFs and 54 central banks, underscores the evolving mindset of sovereign investors with the current geopolitical landscape reshaping sovereign investment strategies at an unprecedented pace. From tensions between the US and Europe over Greenland to the ongoing conflict in Ukraine and renewed unrest in the Middle East, sovereign investors face a complex web of risks that directly impact energy security, trade routes, and supply chains. These factors are driving a fundamental rethink of portfolio construction, emphasising resilience and diversification.

Resilience moves to the centre of portfolio design

Resilience has moved from a secondary outcome of diversification to a deliberate objective of portfolio construction. 71% of central banks and 54% of sovereign wealth funds agree that resilience considerations are becoming as important as return in portfolio design. It is increasingly reflected in how portfolios are monitored, with concentration analysis and scenario testing now at the core of assessment frameworks. 82% of central banks undertake risk concentration monitoring and 76% use scenario analysis, with 65% and 62% of sovereign wealth funds respectively doing the same.

Capital is increasingly being directed toward assets that combine resilience and return characteristics. Energy security and energy transition infrastructure are seen as the most credible resilience theme by 80% of sovereign investors, reinforced by the AI build-out driving a step-change in demand for power and data infrastructure.

The resilience agenda is also extending beyond the portfolio itself. Several institutions described reviewing their reliance on US-based custodians, counterparties, and clearing infrastructure, with some

already establishing alternative arrangements. Five years ago, where assets are custodied rarely arose as a strategic consideration. In 2026, it is firmly on the agenda.

Benjamin Jones, Global head of research at Invesco commented “The big change we see among sovereign investors is that resilience is becoming a hard requirement, not a nice-to-have. In a world of inflation shocks, geopolitical fragmentation and more concentrated markets, investors are rethinking old assumptions about diversification and redesigning portfolios to withstand a wider range of outcomes. Liquidity, governance, scenario testing, and operational access to assets are now front of mind. These investors are not trying to guess the next shock or abandon long-term investing. They are trying to make long-term investing more durable by building portfolios that can hold up across a wider range of scenarios in a world where trust and stability cannot be taken for granted.”

Long term investing in a less supportive world

Long-term investing is becoming more valuable in a less certain environment but harder to maintain in practice. 39% of sovereign wealth funds find their actual investment horizon falls short of their stated one, with investment and liability sovereigns showing the widest divergence. The ability to capture illiquidity premia and long-duration return sources depends on deploying capital with the patience that institutions are claiming to have, and not all are managing to do so in practice.

Capital is responding to this environment by rotating away from concentrated listed equity. Among sovereign wealth funds, 65% identify private markets as a key return driver, and net allocation intentions show infrastructure and private credit as the clearest beneficiaries.

Infrastructure reached 9.0% of total SWF assets in 2026, up from 4.9% in 2022, making it the fastest-growing alternative asset class over the five-year period. Across regions, infrastructure programmes are being shaped by decarbonisation, renewable energy, digital infrastructure and data centres, all seen as contributing to both productivity and long-term economic development.

The expanding role of ETFs

Global ETF assets reached approximately \$19.5 trillion by the end of 2025, growing at around 15% annually over two decades [Source: ETFGI]. The market has expanded well beyond passive equities to include fixed income, active, and thematic strategies.

Institutional demand for flexibility, liquidity and implementation efficiency has driven this growth. While central banks and sovereign wealth funds have not historically been prominent drivers of ETF growth and have favoured direct and bespoke structures, adoption is accelerating and is now reaching a meaningful threshold, with 39% of respondents now using ETFs.

Adoption varies significantly by institution type. 58% of investment sovereigns and 53% of liability sovereigns use ETFs, compared to 31% of central banks, while development sovereigns are the most selective, at 24%, reflecting mandates that favour direct holdings, strategic stakes, and active ownership over listed wrappers.

For central banks, the ETF wrapper offers a route into exposures that would otherwise require more internal resource, more manager infrastructure, or more operational complexity. 67% of central banks primarily use ETFs for strategic exposure, while SWFs favour uses such as tactical asset allocation (64%) and liquidity management (52%). Ease of use is the top driver for central banks, cited by 82%, while sovereign wealth funds prioritise transparency and liquidity.

Passive equity and passive fixed income ETFs are by some distance the dominant forms across both groups, while thematic ETFs are gaining ground, particularly among sovereign wealth funds. Commodity ETFs serve a specific purpose for central banks, efficient gold exposure without the operational requirements of physical bullion. However active ETFs remain at an early stage of adoption, with most respondents yet to implement them. Among sovereign wealth funds, 7% are already allocating but a further 26% are considering it.

Josette Rizk, Head of Middle East & Africa at Invesco “We’re seeing ETFs take on a broader and more defined role across sovereign portfolios. Central banks are focused on efficient access to new asset classes, while sovereign wealth funds are using them for tactical flexibility and targeted exposure. Adoption remains selective, particularly in active and ESG strategies, but the direction is clear—ETFs are evolving from implementation tools into more embedded components of portfolio construction.”

AI – investment opportunity and operational tool

Artificial intelligence sits at the centre of a growing tension for sovereign investors. Conviction in its structural importance is high, with 77% regarding it as a transformative technology with significant multi-decade growth implications and only 2% questioning its economic impact. Yet translating that conviction into clean portfolio exposure is proving more complex.

As the opportunity expands beyond software into physical infrastructure, energy systems, and national industrial capability, 52% of sovereign wealth funds cite market concentration as the primary portfolio risk of AI related investments.,

Infrastructure and productivity enablement are the preferred investment routes, both cited by 69% of sovereign wealth funds as the most compelling long-term themes. Energy supply is increasingly identified as the binding constraint on the next phase of AI infrastructure build-out, making the geography and pace of expansion as much an energy question as a technology one.

Internally, deployment is expanding rapidly. 69% of sovereign investors are using AI in their investment process, up from 33% in 2024. The most common use is for research and information synthesis, but it is also being commonly used to drive operational efficiency and for idea generation and decision support.

Central banks and the search for diversification

Central banks are undergoing a structural shift in reserve management, driven by inflation, geopolitical fragmentation, and evolving market conditions. Equities, corporate debt, and inflation-linked securities are all attracting positive allocation intentions, as central banks look beyond traditional fixed income despite the governance and legislative hurdles many face in doing so.

Concerns around the US dollar are deepening, with 61% of central banks agreeing that US debt levels are negatively impacting the dollar's long-term position as a reserve asset, up from 20% in 2024. Dollar diversification is real but constrained by the absence of a credible large-scale alternative, making the shift incremental.

Gold is one of the beneficiaries of this shift and remains a cornerstone of central bank reserve strategy. More than a third of central banks expect to increase allocations over the next three years. Inflation protection has emerged as a major driver, cited by 72% of respondents in 2026 compared with 35% in 2025, alongside gold's established role as a geopolitical hedge.

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This is Invesco's fourteenth sovereign asset management study. In 2026 we conducted interviews with 144 funds: 90 sovereign wealth funds and 54 central banks. The 2026 sovereign sample is split into three core segmentation parameters (sovereign investor segment, region, and size of assets under management). The 2026 central bank sample is broken down by region. The fieldwork for this study was conducted by NMG between January and March 2026.

* Sourced by NMG Consulting: total assets of those sampled stands at \$29 trillion as of March 2026.

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