

# Understanding the proximity premium

Does organisational design explain the performance gap?

Q4 2025



# Outperformance in Real Assets

## Data over 20 years: proximity, scale, risk profile, & the Transmission Drag hypothesis

Across more than 2,400 closed-ended real asset funds launched between 2000–2020, a consistent but nuanced pattern emerges: performance favours proximity over scale or risk profile – and raises questions about the role of organisational design.



**Ben Brandon-King**  
Managing Director,  
International Consulting  
bking@fergusonpartners.com

### Performance signals

- **Proximity correlates with performance.** Home funds outperform Away peers by ~220bps, with ~42% fewer losses.
- **But proximity doesn't explain everything.** Home managers benefit from deep insights and networks – yet some Away funds still achieve top-quartile returns.
- **This leads to a broader question.** Is the gap driven by geography, or by how firms are structured to overcome distance from HQ?

### Working hypothesis

- **Transmission Drag.** Organisational friction where distance from HQ delays or distorts decisions, even when local teams appear empowered.
- **Amplified by complexity.** Drag is more pronounced as fund size grows, risk profile increases, and in complex regions like APAC.
- **Organisational design matters.** The ability to blend global insight with local reflex could be an under-analysed driver of returns.

### Implications to explore

- **Not a verdict on global investing.** Rather, a framework for understanding why some global platforms thrive internationally while others struggle.
- **For GPs.** How do we minimise Transmission Drag without losing global coherence?
- **For LPs.** How should GP due diligence evolve to assess the effectiveness of global operating models, not just in-region track record and team?

*Home vs. Away. 'Home' funds have the manager's global HQ within the fund's target investment region; 'Away' funds are headquartered outside it.*

Source: Ferguson Partners analysis of Preqin data (Q4 2025). Methods: minimum USD50m fund size; net USD returns; equal-weighted; Home/Away by HQ vs. target investment region; loss = IRR < 0% or EM < 1x; static global size quartiles; IQR shown; target IRRs vs. mid-point at launch. Some exhibits rely on relevant sub-sets. † Where samples are small, results should be read directionally.



# The seven lessons: what the data shows

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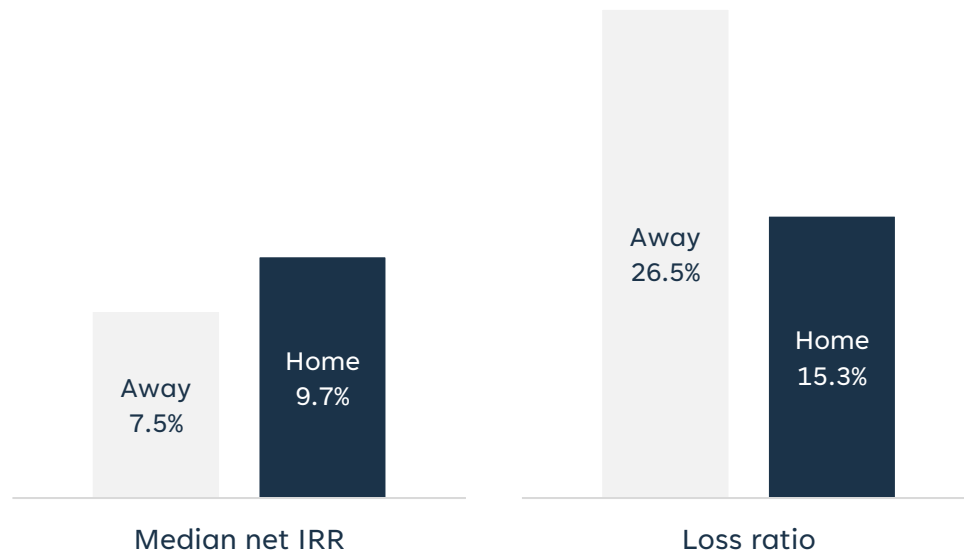
# 1. Proximity correlates with performance



Home region funds (where the manager's global HQ is located) deliver higher returns & lower loss ratios

Home funds deliver +220bps IRR with 42% fewer losses

Median net IRR & average loss ratio – Home vs. Away



Home edge widens in stress (+584bps in 2006-10)

Vintage	Home IRR	Away IRR	Home IRR advantage
2000-2005	9.0%	8.4%	69 bps
2006-2010	8.4%	2.6%	584 bps
2011-2015	12.0%	11.4%	60 bps
2016-2020	9.2%	6.9%	228 bps

Source: Ferguson Partners analysis of Preqin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. Home = manager global HQ within fund's target region; Away = otherwise. Loss ratio = share of funds with net IRR < 0 or EM < 1.

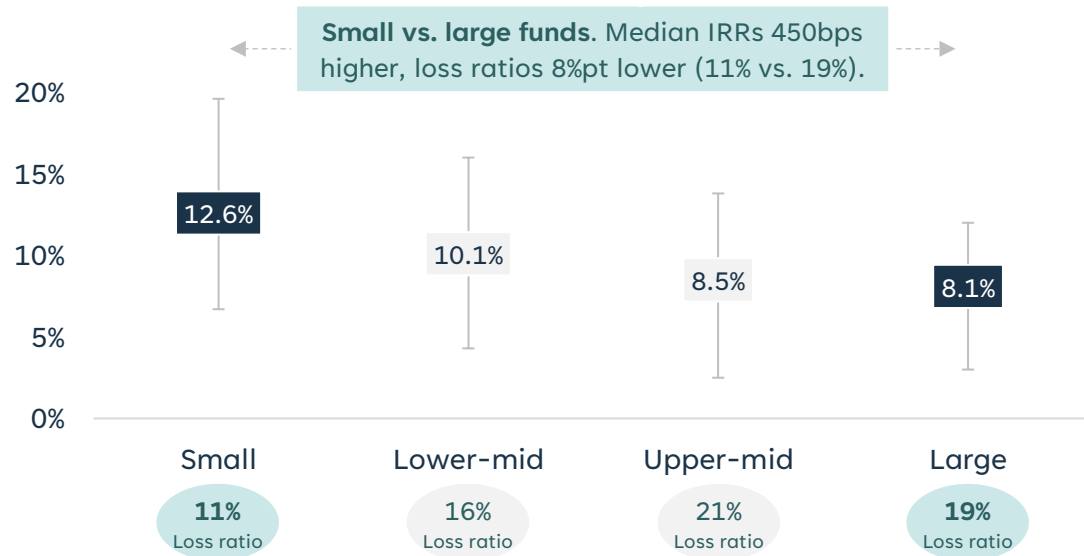
# 2. Scale magnifies Transmission Drag



IRRs decline with size — the effect is magnified for Away funds

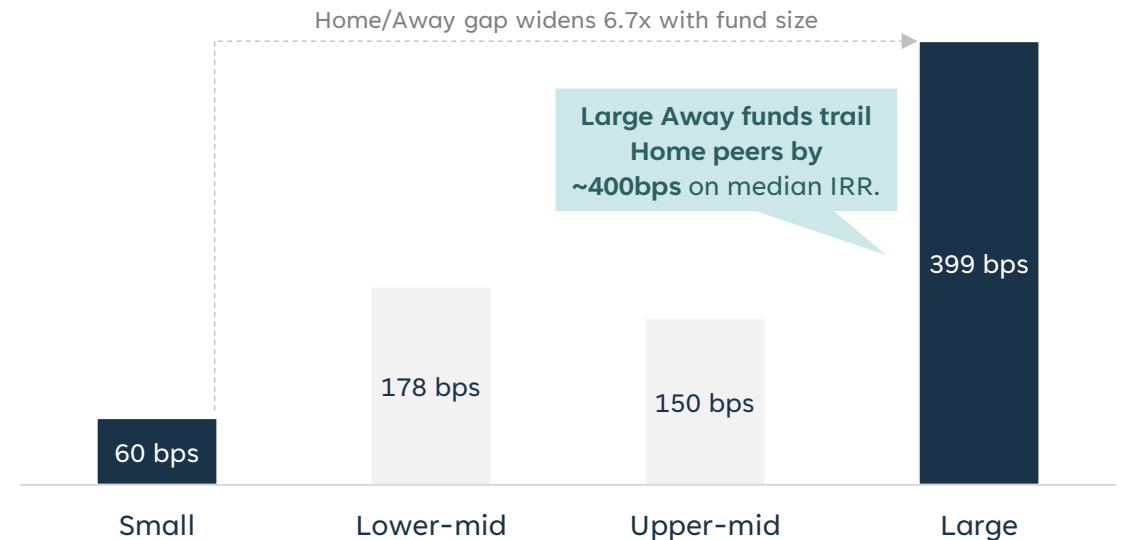
Returns fall as size increases: median net IRR drops from 12.6% to 8.1%; loss ratio nearly doubles

Median net IRR by equal-weighted size quartile (grey lines show IQR)



Distance magnifies scale risk: Home/Away gap widens nearly 7x from small to large funds

Median net IRR Home/Away deltas by size quartile



Source: Ferguson Partners analysis of Prequin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. Size quartiles by capital raised. Loss ratio = share of funds with net IRR < 0 or EM < 1. † Away sample thinner in Small quartile Home/Away delta.

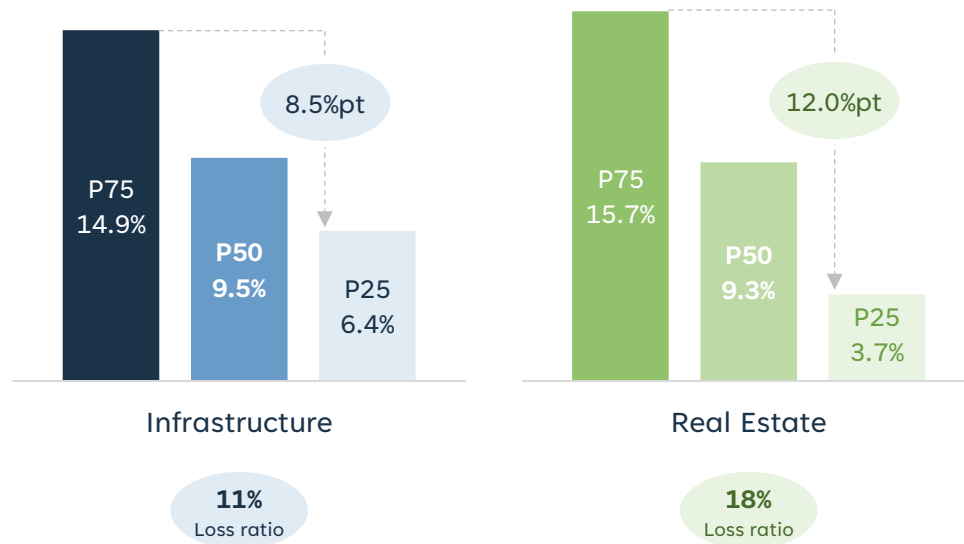
# 3. Consistency attracts capital



Infrastructure's steady returns & lower loss ratios have made it a post-GFC safe haven for institutional LPs

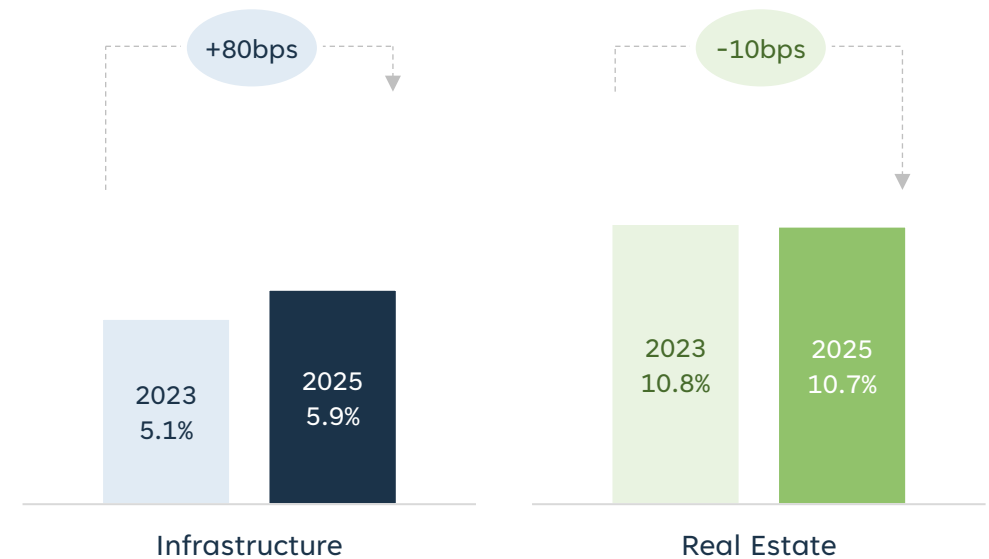
**Tighter distribution, fewer losses: Infrastructure shows higher median net IRR & narrower IQR**

Lower quartile (P25), median (P50), & upper quartile (P75) net IRR by sector



**Reliability drives reallocations: Infrastructure targets up 80bps; Real Estate down 10bps**

Institutional target allocations to Infrastructure & Real Estate



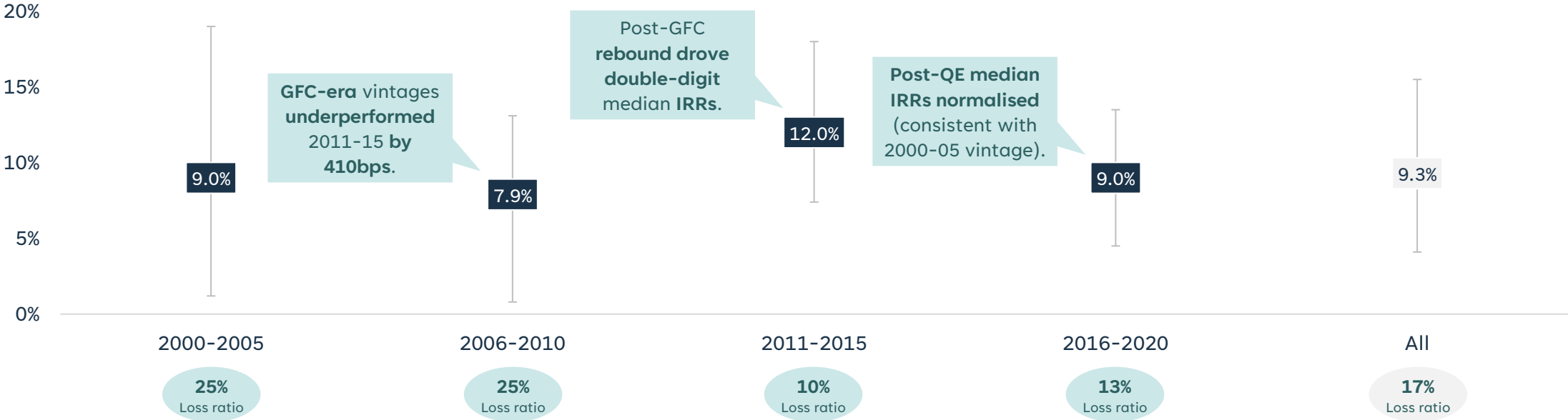
Source: Ferguson Partners analysis of Prequin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. Allocation data from Hodes Weill & Cornell (2025 Infrastructure and Real Estate Monitors). Infrastructure shows a narrower IQR than Real Estate but higher cross-sectional STDEV (a few outsized performers).

# 4. Performance varies sharply by vintage

Timing explains much of the dispersion — GFC-era vintages lag 2011–15 by >400bps

**GFC underperformance; followed by rebound in 2011–15**

Median net IRR by vintage (grey lines show lower & upper interquartile range)



Source: Ferguson Partners analysis of Prequin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. Vintage = launch year. Loss ratio = share of funds with net IRR < 0 or EM < 1.

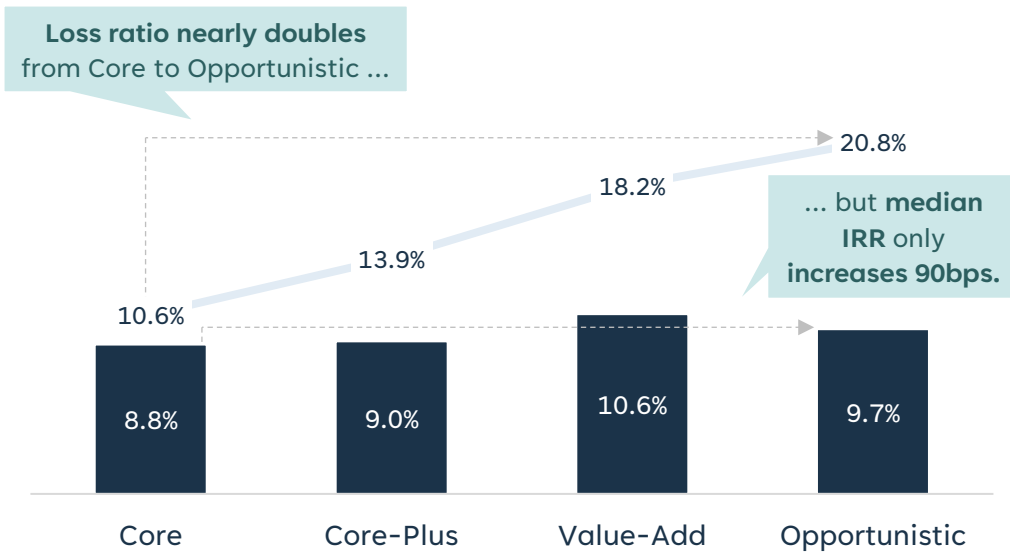
# 5. Risk outpaces returns



Risk rises faster than returns up the style curve, while the Home edge widens

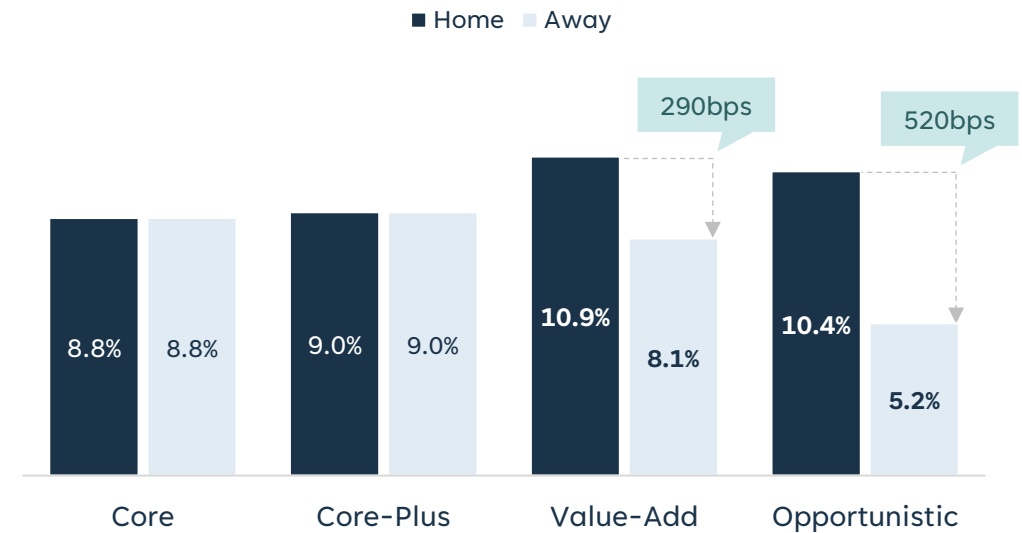
**IRR stalls at Value-Add while loss ratios nearly double from Core to Opportunistic**

Median net IRR (bars) & average loss ratio (lines) by vehicle style



**Local edge strengthens up the risk curve: Away Opportunistic funds trail Home by 520bps**

Median Home vs. Away net IRR by vehicle style



Source: Ferguson Partners analysis of Prequin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. Returns are absolute. Risk-adjusted results reinforce the same pattern, with volatility rising more steeply than return along the style curve. † Away sample thinner in Core & Core-Plus.

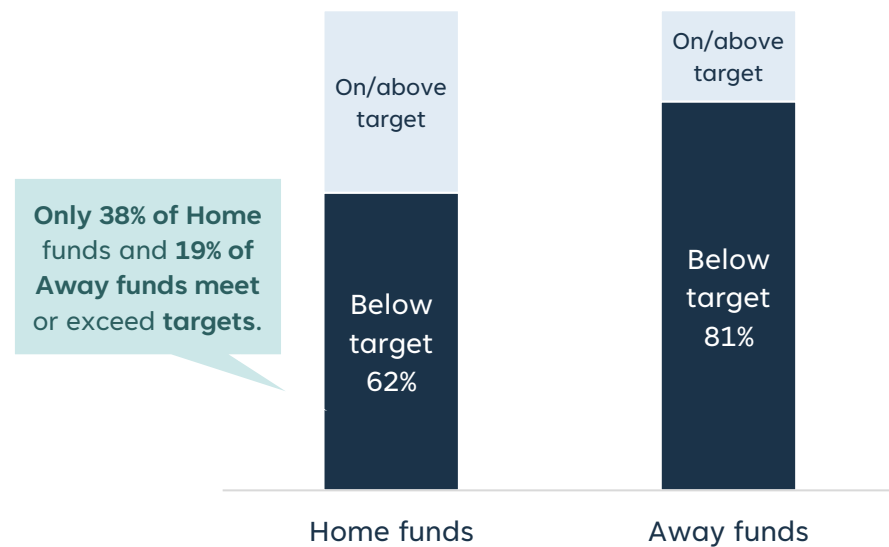
# 6. Target IRRs are optimistic



Only a minority of funds meet or beat their targeted returns

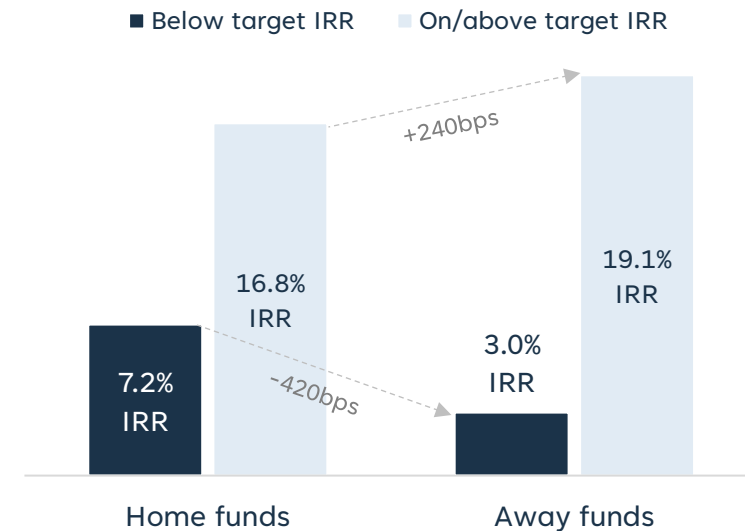
Most funds miss their targets — Away funds miss more often

% of funds meeting/beating or below target IRR



When they miss, Away funds lag Home — but when they hit, they outperform their Home peers

Median Home vs. Away net IRR (below vs. on/above target returns)



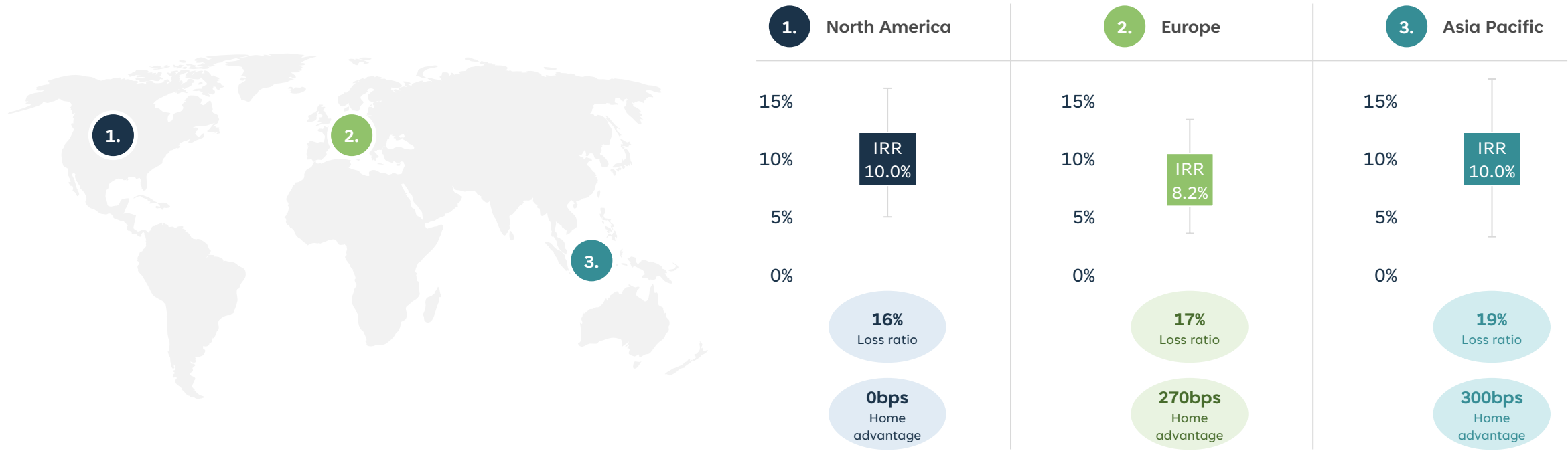
Source: Ferguson Partners analysis of Prequin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. Performance vs. target uses mid-point of stated target IRR range at launch. Based on funds reporting target IRRs only. † Away sample thinner in On/above target.

# 7. Regional dynamics create opportunities



North America's transparency minimises Transmission Drag, while the penalty for distance is more pronounced in fragmented regions like Europe & Asia Pacific

Home advantage (median net IRR): Asia Pacific +300bps; Europe +270bps; North America 0bps



North America offers the highest floor; Europe trades stability for lower upside but heavier tails; Asia Pacific offers higher potential within a contained volatility band.

Source: Ferguson Partners analysis of Prequin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. APAC shows the widest IQR, but lowest STDEV (13.8%), indicating dispersion within a contained risk band rather than true volatility.

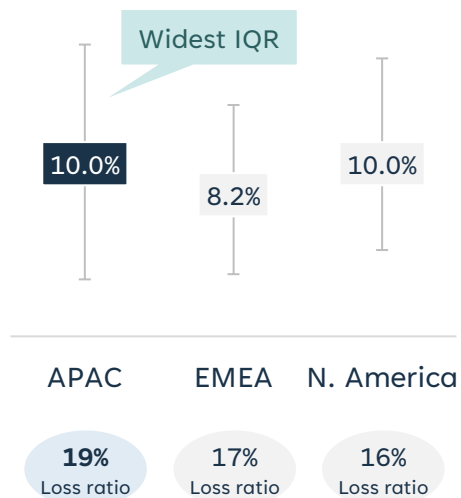
# Case study: Asia Pacific exemplifies the thesis



A clear expression of the themes — wide dispersion, returns decline with risk, & proximity effect

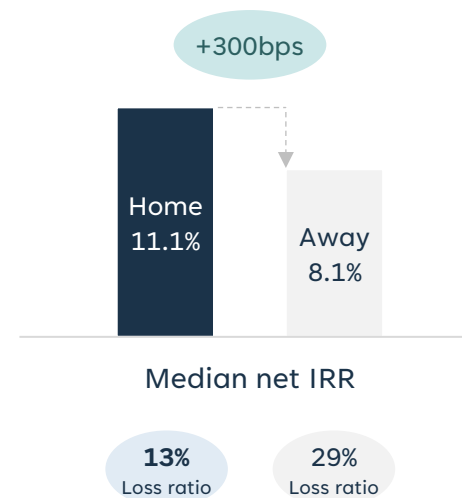
## 1. Higher upside but a wider range of outcomes

Median net IRR (lower vs. upper IQR)



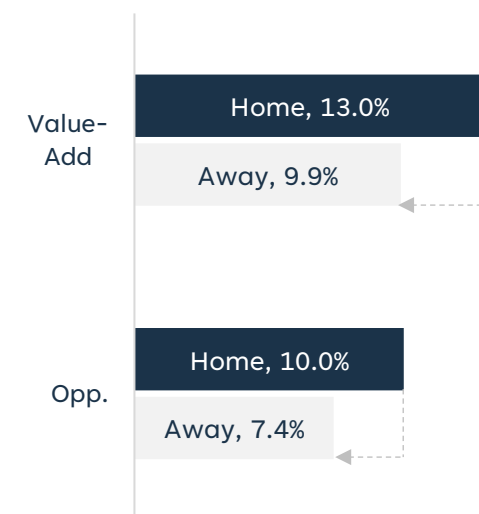
## 2. Home outperforms Away, & with less than half the loss ratio

Median APAC net IRR (Home vs. Away)



## 3. Value-Add beats Opportunistic, Home & Away

Median net IRR (by style)



Outperformance in Asia Pacific appears to come from proximity, discipline, & control — not fund scale or risk appetite.

Source: Ferguson Partners analysis of Prequin data (Q4 2025); closed-ended Real Estate & Infrastructure funds launched 2000–2020. Excludes FoFs, secondaries & co-investments. APAC shows the widest IQR, but lowest STDEV (13.8%), indicating dispersion within a contained risk band rather than true volatility. † Sub-samples are small for style & vintage splits.



# From data to dialogue

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# A framework for future performance

How should firms be structured to make the right decisions in a more complex world?

## Harnessing the “global brain, local reflex”

### Questions for General Partners

**Global platforms.** How do we design our operating model to minimise Transmission Drag?

How do we separate global insight from final authority, ensuring decisions are both informed and timely?

**Regional specialists.** What is our strategy to systematically capture global perspective without diluting local edge?

How do we protect local speed and conviction while avoiding insularity and missed macro shifts?

### Questions for Limited Partners

How can due diligence evolve to underwrite a manager’s global operating model, not just their local team and track record?

Can we move beyond a Home vs. Away lens: how effectively does a manager’s organisational design mitigate Transmission Drag and protect capital while still capturing alpha?

**In a higher-friction world, advantage will belong not to the biggest or the local — but to organisations designed to operate decisively & intelligently across distance.**

Source: Ferguson Partners (Q4 2025).

The data suggests a structural headwind, or **Transmission Drag**, that can erode returns in cross-border platforms.

The challenge is not simply local autonomy – most firms already believe they have it.

Instead, the real test is whether organisational design can resolve the tension between global scale and local conviction.



# Ferguson Partners

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