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Briefing Note

Australian institutional investments into EMDEs:

Are legal/regulatory barriers at play?

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February 2026

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How to cite: Carvajal, A., and Gregory N. (2026) Australian Institutional Investors into EMDEs. ODI Global briefing note. London: ODI Global: <https://odi.org/en/publications/australian-institutional-investments-into-emdes-are-legalregulatory-barriers-at-play/>

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Abbreviations and acronyms

APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investment Commission
DC	Defined contribution
EMDE	Emerging Markets and Developing Economies
ESG	Environmental, Social and Governance
ICSFs	Insurance Companies and Superannuation Funds

1 Introduction

This note provides a preliminary description of the legal and regulatory framework for Australian institutional investors to finance investments in emerging markets and developing economies (EMDEs). It focuses on insurance companies and superannuation funds¹ (collectively, ICSFs) as the largest institutional investor types.

This note summarises information assembled by a desk review of materials available online. An annex identifies key Australian and international coalitions of investors. All figures are in Australian dollars.

¹ Pension funds are known in Australia as Superannuation funds, or Supers for short.

2 Market Context

2.1 Market structure

Structure of superannuation fund industry

Superannuation funds are mandatory retirement programmes, almost all of which (90%) are defined contribution (DC; also known as accumulation) schemes. Employers are required to contribute 12% of employees' pre-tax income to a super account. There are 87 superannuation funds (super funds) in Australia,² of which nine are mega funds (over AU\$100 million assets under management), managing around AU\$3 trillion as of June 2025.³ The largest 10 super funds manage around 60% of total funds invested, AU\$1.8 trillion.

Table 1 Largest 10 super funds, total assets as of September 2025⁴

Super funds	Total assets (AU\$ billion)
1. Australian Super	418
2. Australian Retirement Trust	358
3. Aware Super	211
4. Unisuper	167
5. HOSTPLUS Superannuation Fund	147
6. Colonial First State FirstChoice Superannuation Trust	112
7. Construction and Building Unions Superannuation Fund	109
8. Retail Employees Superannuation Trust	104
9. HESTA	103
10. MLC Super Fund	97

² 2025 Australian Prudential Regulation Authority (APRA) regulated funds with over six members.

³ Different sources report different estimates of Australian superannuation assets under management. The Australian Bureau of Statistics reported AUM of AU\$3.7 trillion in 2023, while APRA published figures in 2024 indicating AUM of around AU\$3 trillion.

⁴ Source: APRA, Quarterly Superannuation Fund Statistics, September 2025.

Structure of insurance industry

There are 22 life insurers, 87 general insurers and 30 private health insurers, managing AU\$891 billion in investable assets. Life insurance companies manage AU\$777 billion, general insurance companies AU\$98.7 billion and health insurance companies AU\$15.6 billion.

Table 2 Largest five general insurance and life insurance companies in Australia, total assets as of June 2023⁵

Insurance companies	Total assets (AU\$ billion)
General insurance	
1. Suncorp Insurance	16.15
2. Insurance Australia	11.90
3. QBE Insurance	10.75
4. Allianz	8.33
5. Zurich	5.20
Life insurance	
1. Challenger Life	26.52
2. Resolution Life	23.25
3. AIA	10.25
4. TAL Life	7.62
5. Zurich	5.77

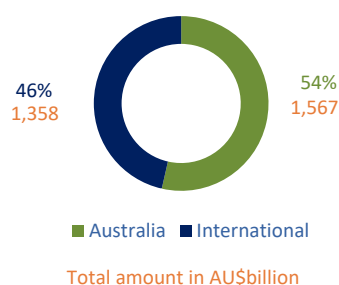
2.2 **Asset size and allocations to EMDEs**

Public information on asset allocation typically discloses the split of assets between domestic and international holdings, but does not break out EMDEs as a subset of international assets. The figures below show the asset allocation of Australian super funds and different types of insurance companies for which public data is available.⁶ ICSFs collectively manage around AU\$4 trillion.

In 2025, almost half of Australian super funds' assets were invested abroad, a total of AU\$1.4 trillion, or 46% of total portfolios (APRA, 2025e). The international focus is even more pronounced when broken down by asset class: about 57% of equity holdings are overseas, along with 35% of fixed-income assets, 40% of property and infrastructure investments and 65% of alternative assets.

⁵ Sources: Life insurance institution-level statistics March 2008 to June 2023 and Annual general insurance institution-level statistics August 2022 to June 2023.

⁶ 2025 APRA statistics.

Figure 1 Pension funds' asset allocation, 2025

The bulk of these investments appear concentrated in developed markets. APRA-regulated funds are required to report their international exposure overall, not broken down by country or region, making it difficult to assess how much flows to EMDEs. Among the few that choose to disclose this information, AustralianSuper (the country's largest fund) reports an emerging-market allocation of

5.6%, equivalent to roughly AU\$23 billion. It is reasonable to assume that larger funds have more capability to invest in a wider range of assets, so 5.6% is likely to be close to the upper bound of EMDE allocations by Australian super funds.

These assets are likely to be highly concentrated in investment grade, publicly listed assets. If EMDE allocations follow the benchmark MSCI equity index, they will be concentrated in a few large upper-middle and high-income countries, including China, Republic of Korea and Taiwan, which make up 61% of the index (Figure 2).

Figure 2 MSCI EM index country weights

Australian super funds have a large proportion (72%) of their portfolio in equity and property/infrastructure. This suggests that they have substantial appetite for higher risk and less liquid assets in order to achieve their return targets. This could signal willingness to invest in EMDE assets of a similar risk and liquidity profile.

The composition of super funds' equity and property/infrastructure portfolios offers clues about their potential appetite for unlisted assets prevalent in smaller, lower-income EMDEs. The funds' portfolios are dominated by listed instruments: 92% of equity holdings are listed, 52% overseas and 40% in Australia, while only 8% of equity is unlisted, 6% overseas and 2% domestic. In contrast, property/infrastructure portfolios are far more reliant on unlisted vehicles: 73% of these investments are unlisted, with 30% located overseas and 43% in Australia. This structure suggests that, for most funds, their appetite for EMDE equity will be concentrated in listed equity, which represents a relatively modest set of opportunities in smaller, lower-income EMDEs.

Since 2021, the Australian Prudential Regulatory Authority (APRA) has conducted annual assessments of super fund performance against market benchmarks. Underperforming funds are required to

merge or close to new members. The international equity and debt benchmarks mainly reflect developed market performance. This means that allocating funds to EMDEs runs the risk of underperforming the benchmark in years when EMDE markets underperform developed markets. This creates a disincentive to allocating funds to EMDEs.

Figures 3a and 3b Pension fund asset allocation, June 2025⁷

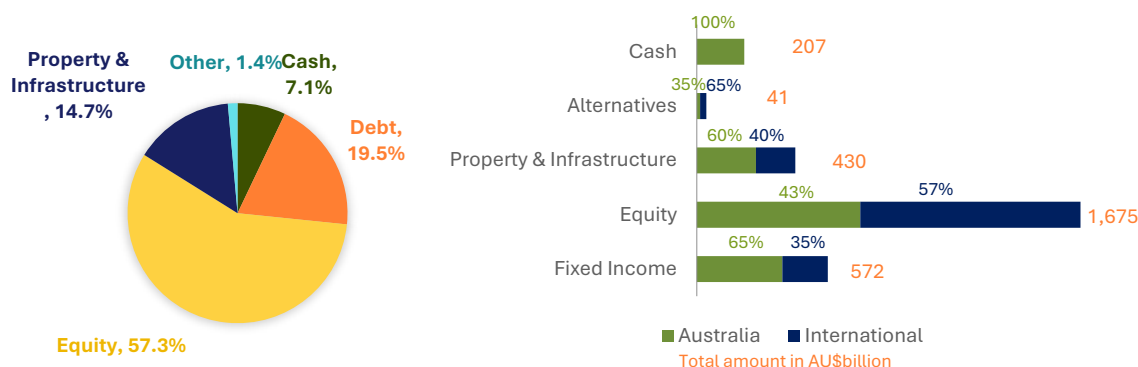
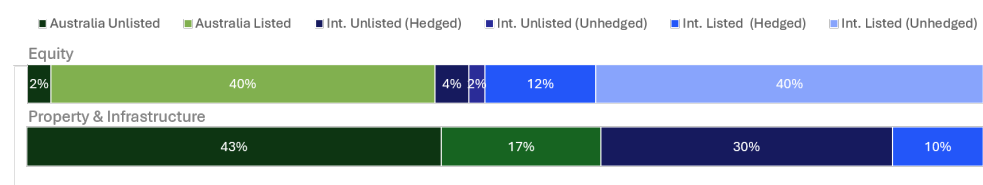


Figure 4 Pension fund asset allocation: equity and property/infrastructure. Australia and international breakdown, June 2025⁸



Insurance companies

Insurance companies disclose less about their international asset holdings, including EMDE holdings. The Australian Bureau of Statistics reports aggregated information on managed funds institutions.⁹ As of its latest available report (December 2023), life insurance companies in aggregate held 15% of their portfolio overseas. Although there is no public information on individual companies' international exposure, there is information on their asset allocation by asset type, which gives an indication of their risk appetite and their appetite for them to higher risk EMDE assets.

Insurance companies are smaller than super funds and tend to have a more conservative investment approach. General insurance total investable assets amount to AU\$99 billion, of which over 90% is invested in fixed income or cash and cash equivalents. Life insurance companies have a higher equity portfolio (47%), and their total assets under management are larger, amounting to AU\$777 billion. Health insurance companies have AU\$16 billion assets under management,

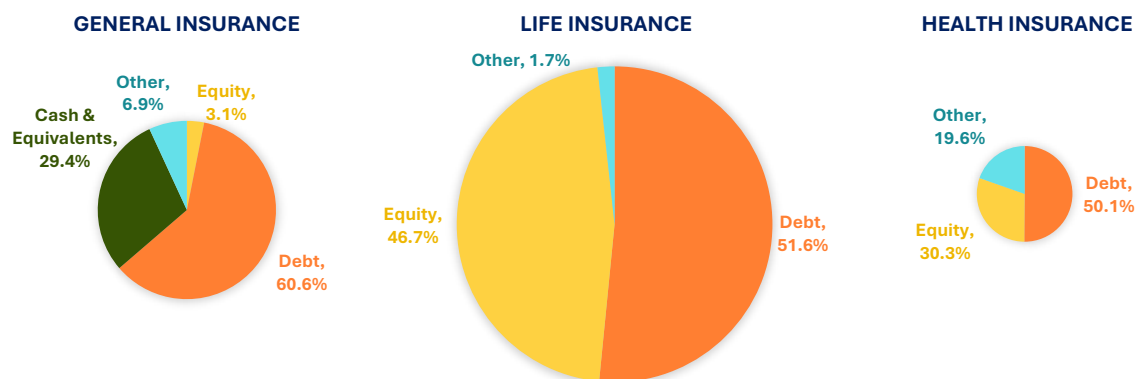
⁷ APRA 2025 statistics on pension funds' investments.

⁸ APRA 2025 statistics on pension funds' assets.

⁹ Including Life insurance corporations, Superannuation funds, Public offer (retail) unit trusts, Friendly societies, Common funds and Cash management trusts.

50% invested in debt and 30% in equity, the remaining 20% is invested in other assets.

Figure 5 General insurance, life insurance and health insurance asset allocation, June 2025¹⁰



It is not possible from the available information to say much about the risk appetite of insurance companies in Australia. From their asset allocation, we can assume life insurance companies are better positioned to invest in EMDEs, given a larger proportion of their portfolio is invested in equities, compared to general insurers.

¹⁰ APRA 2025 reporting on insurance investments.

3 Regulatory and legal constraints to EMDE Investing

3.1 Legal and regulatory framework for superannation funds

The regulation of Australia's superannuation system is built around the prudent person principle: trustees must act as fiduciaries and invest solely in their members' best financial interests. Rather than setting strict caps on how much can be invested in particular asset classes, the regulatory framework concentrates on the robustness of the investment process itself. As a result, super funds have no regulatory limits on asset concentrations by country, sector, currency or asset type (OECD, 2024).

Regulation requires all assets to be valued at market value, which is a potential disincentive for investment in EMDEs, which have a higher prevalence of unlisted/illiquid assets which may be difficult to value.

Super funds operate under increasingly stringent Environmental, Social and Governance (ESG) and climate risk management expectations, shaped by fiduciary duties, APRA and Australian Securities and Investments Commission (ASIC) guidance and a new mandatory climate disclosure regime. Many Australian ICSFs have signalled their commitment to responsible investment practices by adopting the UN Principles of Responsible Investment.¹¹ While these frameworks are intended to support sustainable investment, they also reinforce a process-based interpretation of fiduciary duty that prioritises demonstrable risk assessment, data quality and compliance. This may deter investment in EMDEs, where climate risks may be more acute, disclosure less standardised and investment structures less familiar, even where EMDE investments could enhance long-term resilience.

Most Australian superannuation funds are DC schemes, in which beneficiaries are allowed to choose among investment strategies. DC funds are required to maintain segregated accounts for each fund member and to provide regular valuations of portfolios. This imposes

¹¹ There are 31 PRI signatories in Australia: 17 are super funds and four are insurance companies; six of the 10 largest super funds and three of the five largest insurance companies are signatories.

higher liquidity requirements and generally means DC funds tend to have lower EMDE exposures than defined benefit schemes (Theobald, 2023).

3.2 Legal and regulatory framework for insurance companies

Regulation of life and general insurance companies relies on self-assessment of different types of risk exposure based on internal modelling. The regulator reviews the capital adequacy frameworks of insurance companies to ensure that they are resilient to financial stress. Life insurance regulations focus on long-term liability and asset quality risks, while general insurance regulations pay more attention to underwriting volatility, catastrophe exposure and asset concentration. These differences in regulation partly explain the different asset allocation behaviour between life insurance and general insurance.

As with super funds, assets have to be valued at market rate. This creates challenges for investing in unlisted and illiquid assets which are more prevalent in smaller, lower-income countries, as discussed above.

4 Concluding remarks

Australian super funds are large, globally active and in principle well positioned to mobilise greater capital towards EMDEs. The analysis suggests regulation is not the primary binding constraint. Rather, investment behaviour is shaped by fiduciary duty as it works in practice: an emphasis on risk management, liquidity and assets that can be marked to market values. Such an approach favours listed equities, investment-grade fixed income and standardised sustainability-linked instruments. This sits uneasily with the structural features of many EMDE investment opportunities, which are often unlisted, less liquid and more exposed to macroeconomic and climate risk. Defined contribution schemes as prevalent in Australia tend to reinforce this bias towards liquid, easily valued assets. However, the ability of beneficiaries to exercise choice over investment allocations creates the potential for greater beneficiary awareness of sustainability and climate issues to support greater EMDE investments. Based on experience in other countries, this would require supportive market conditions, such as the availability of low-cost EMDE investment products, and beneficiary awareness-raising.

Insurance companies face a different but related set of constraints. General insurers are constrained by short-term liabilities and capital requirements. As a result, they are mostly invested in fixed income and cash equivalents, with limited space for EMDE exposure. Life insurers, by contrast, more closely resemble super funds in their long-term horizons and asset mix, holding over 40% of assets in equities. Based on the information we were able to find, while there is no data on the current share of EMDE assets held by life insurers, there do not appear to be regulatory barriers preventing an increase in their portfolio exposure.

We emphasise that these findings are preliminary, based on a desk review of publicly available material. To validate and extend them, it would be necessary to engage directly with institutional investors to understand how they perceive the opportunities and constraints to increased EMDE allocations. This may uncover regulatory or behavioural issues not evident in the materials reviewed. The Australian industry coalitions listed in the Annex may have additional information on these topics beyond that published on their websites.

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