

# The case for real assets

Real assets—including real estate, infrastructure, commodities and resource equities—may offer an effective solution amid inflation and valuation risks.

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## KEY TAKEAWAYS

### **A shifting global landscape**

In our view, real assets are well positioned as the world transitions to what we see as an era of scarcity, with more inflation risk and commodity undersupply colliding with growing demand.

### **Why real assets**

A blend of real assets offers the potential for some level of inflation sensitivity, diversification and enhanced risk-adjusted returns, with lower historical volatility than individual real assets.

### **Why now**

Real assets are trading at attractive valuations relative to equities. This, combined with high and broad-based inflation and compelling secular forces is raising awareness of their potential benefits.

# An essential allocation for a new market regime

Investors today face a much more difficult return environment than they've experienced in recent decades, and diversifying beyond stocks and bonds is likely to become increasingly important. Compared to the last 10 years, we forecast slower real growth, stubbornly high inflation and greater volatility over the next decade. The result will likely be lower profit margins and lower returns for the broad equity market. We believe bonds are likely to be more volatile as this happens, making them less effective in counteracting the volatility of stocks. In contrast, we believe real assets are well positioned as the world transitions from an era of abundance to what we see as an era of scarcity, characterized by persistent inflation risk, supply shocks, commodity underinvestment, protectionism and geopolitical uncertainty. These and other factors are converging to imply a favorable environment across real assets. In particular we highlight:

**Data demand.** Artificial intelligence (AI) is driving the greatest expected growth in data intensity in history. Infrastructure and real estate companies own utilities, data centers and cell towers that are essential to support this growth, which is brightening the longer-term demand outlook for power-generation and technology-related assets. We believe real assets owners offer a more attractively valued way to access the AI theme compared with direct AI plays such as chip makers.

**Deglobalization.** Geopolitical tensions are shifting production trends and trade dynamics. Amid friendshoring and reshoring, we see growth opportunities for owners and operators of assets along the logistics chain, including industrial warehouses (global real estate) and freight rails and marine ports (global infrastructure)

**Changing demographics.** Aging populations are placing new demands on societal structures. Capital investment is required to build out essential assets owned by infrastructure companies, as well as senior living and health care facilities owned by real estate landlords.

**Decarbonization.** Decarbonization trends continue, yet growth in market share takes time. Meanwhile, power demand continues to grow, increasing demand for all energy sources. In our view, this "energy addition" thesis stands to benefit both alternative and traditional sources of energy, ranging from solar and wind to natural gas and nuclear.

**Resource scarcity.** Commodities, we believe, will see a meaningful improvement in returns as we move from persistent oversupply to a period of prolonged undersupply. After years of under-investment, commodity prices are likely to be driven higher as relative scarcity meets with higher demand: there is a massive growing global middle class, with the developing world starting to meaningfully consume more commodities. These factors work to the potential benefit of not only commodities, but also the listed natural resource companies that produce them.

Valuations and broader market participation are potential tailwinds for real assets.

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As real assets continue to move past their worst decade on record relative to the broad equity market (2011–2021), valuations remain generally attractive compared with recent history. Global real estate, listed infrastructure and natural resource equities are all on the inexpensive side relative to their history, whereas equities are expensive relative to their history. Hence, the ratio of real assets classes to broad equities is especially compelling (Exhibit 1, right hand side).

In an environment likely to be defined by persistent inflation, these factors are potentially setting the stage for significant real assets outperformance in the years ahead. We recognize the challenge to resist FOMO, or the fear of missing out, whereby many investors tend to stick with what’s worked in the past, including AI-related stocks, expecting it to work in the future. But it’s common to see reversals of fortune. Returns are often mean reverting, with starting valuations being key to future performance.

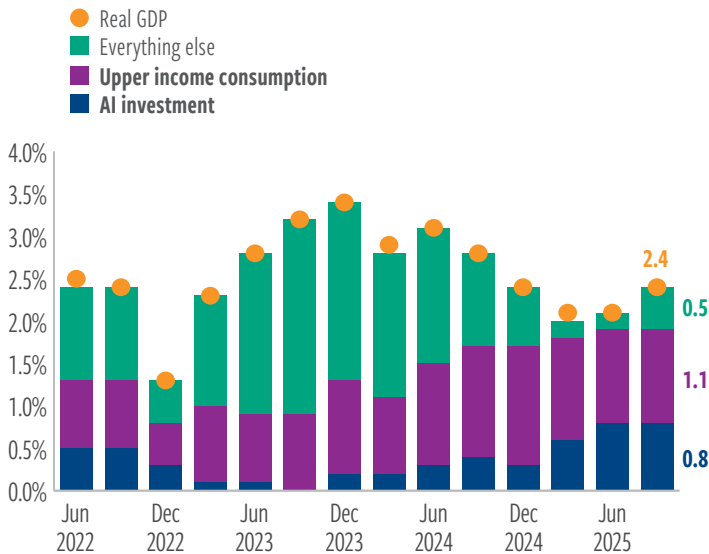
With U.S. mega-cap tech names appearing priced for perfection, there may be little margin of safety if pillars of AI narrative begin to sway. We see potential for rotation into more value-oriented themes, including real assets, especially if economic growth continues to see broader participation, not just dominated by AI and high income consumption (Exhibit 1, left hand side).

EXHIBIT 1

**Broadening of growth supports more value-oriented themes**

AI & high-income consumption has accounted for >90% of recent growth, however it’s beginning to broaden-out

Real GDP (% y/y)



Valuation percentile vs. past 10 years

Cheap | Neutral | Expensive

	Dividend Yield	Price-to-Book	Price-to-Cash Flow	Price-to-Earnings	Average
U.S. stocks	98%	98%	93%	91%	95%
Global stocks	99%	99%	97%	79%	94%
Global ex-U.S. stocks	88%	100%	97%	76%	90%
Global Real Estate	42%	68%	28%	46%	46%
Global Listed Infrastructure	45%	54%	26%	14%	35%
Global Natural Resources	84%	85%	73%	66%	77%

At December 31, 2025. Source: Haver, UBS and Cohen & Steers.

Past performance is no guarantee of future results. Left-hand-side graph: assumes upper income accounts for 40-60% of consumption. Upper income is defined as the top quintile of wage earners. Right-hand-side table: Long-term median measured since 1995 Asset class proxies defined on the index definitions page.

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The economic backdrop suggests continued strength in real assets.

As we look back on 2025, it was clearly a defining year for real assets. While much of the market’s attention remained focused on the AI boom, real assets had a stand-out year, with virtually all categories generating double-digit returns. Looking ahead, our macro-economic outlook remains constructive, as we are above consensus on global growth (even though absolute growth may slow over the long term), inflation, and interest rates, and expect economic activity and market returns to broaden after several years of unusually concentrated gains. We see growth being supported by strength in China and emerging markets, alongside continued resilience in the U.S., with a more accommodative monetary policy backdrop and the potential for incremental fiscal support.

On rates, we believe 10-year nominal yields will rise from resilient growth, sticky inflation, and elevated sovereign issuance. In our base case, the increase comes primarily from higher inflation expectations. With respect to real (inflation-adjusted) yields, we expect them to fall over the course of this year to our current year-end 2026 target of 1.75%. This all points to what we believe is a favorable backdrop for real assets. As indicated in Exhibit 2, periods when real (inflation-adjusted) yields fall and inflation breakevens are rising (which is what we anticipate), have historically resulted in strong relative and absolute returns for real assets. We believe the historical outperformance of traditional stock/bond portfolios when inflation expectations rise reflects the inherent inflation beta real assets can deliver—a feature unmatched by stocks and bonds.

EXHIBIT 2

Current market backdrop has historically favored real assets performance

Average annualized 6m rolling total returns based on coincident change in 10yr yields and breakevens (December 2002–December 2025)

 Periods when real (inflation-adjusted) yields fall and inflation breakevens rise have historically resulted in strong relative and absolute returns for real assets

Real yields	Breakevens	Global REITs	Listed infrastructure	Natural resource equities	Commodities	Real assets blend	60/40 stock/bond portfolio
▲	▲	14.1%	14.6%	25.5%	15.4%	14.7%	8.7%
▲	▼	-8.7%	-1.6%	-8.4%	-15.3%	-8.3%	-1.4%
▼	▼	7.5%	13.1%	-0.1%	-5.4%	4.0%	8.6%
▼	▲	<b>25.2%</b>	<b>22.0%</b>	<b>24.6%</b>	<b>15.2%</b>	<b>19.5%</b>	<b>15.3%</b>
	Full sample	10.3%	12.6%	11.0%	3.1%	8.1%	8.2%

At December 31, 2025. Source: Bloomberg, LSEG Datastream, Cohen & Steers. Performance represented by **Global REITs**: FTSE EPRA Nareit Developed Real Estate Index. **Infrastructure**: 50/30/20 blend of Datastream World Gas, Water & Multi-Utilities, Datastream World Pipelines and Datastream World Railroads through 12/31/02; Dow Jones Brookfield Global Infrastructure Index thereafter. **Natural resource equities**: 50/50 blend of Datastream World Oil & Gas and Datastream World Basic Materials through 12/31/02; S&P Global Natural Resources Index thereafter. **Commodities**: Bloomberg Commodity Total Return Index. 60/40 stock/bond allocation: 60% MSCI World Index and 40% ICE BofA US Treasury 7-10 Year Bond Index. **Real assets blend**: 27.5% real estate, 27.5% commodities, 15% natural resource equities, 15% infrastructure, 10% short-duration fixed income and 5% gold. **Short-duration fixed income** represented by ICE BofA 13 Year U.S. Corporate Index. **Gold** represented by the gold spot price in U.S. dollars per troy ounce. The real assets blend is not representative of an actual portfolio and is for illustrative purposes only. See page 11 for index associations, definitions and additional disclosures.

# Why real assets

## Three potential benefits

Real assets are the structures and raw materials that economies rely on to function and be productive. That includes the properties where we live, work and shop; the infrastructure that provides power and water and enables transportation and communications; and the basic natural resources, such as food and energy, that sustain societies. Products that invest in publicly traded (listed) markets offer a convenient way to access the global opportunity set of real assets, capturing the underlying economics of these investments with the added benefit of liquidity.

A diversified blend of real assets—including real estate securities, listed infrastructure, commodities and natural resource equities—may help enhance a portfolio in three key ways:

1. **Positive inflation sensitivity** to help mitigate the potentially damaging effects of accelerating inflation.
2. **Diversification potential** from distinct performance drivers that typically result in low correlations, both among real assets categories and vs. stocks and bonds.
3. **Attractive return potential** over full market cycles, with a history of attractive risk-adjusted performance.

## Inflation sensitivity

The economic drivers of real assets are often directly or indirectly tied to inflationary trends, historically resulting in outsized returns when inflation exceeds expectations (and relative underperformance when inflation is low). For example, the release of pent-up consumer demand, which is one of the drivers of inflation today, stands to benefit assets that struggled the most early in the pandemic such as commodities, natural resource equities, real estate and infrastructure.

An allocation to a blend of real assets may help preserve future purchasing power, potentially offsetting the weak or even negative inflation sensitivity of traditional portfolios concentrated in stocks and bonds. The ability of real assets to counter inflation may have an impact on portfolios both today, as prices climb, and longer-term if elevated inflation persists.

## Diversification potential

The goal of portfolio diversification is to own asset classes that tend to experience their above- and below-average returns in different economic and market environments—when one asset zigs, the expectation is that another will zag. Real assets' distinct economic sensitivities tend to differentiate them from traditional risk assets such as stocks and bonds.

## How real assets are tied to inflation



### Real estate

- Property values tend to rise with the overall price environment due to rising costs of labor, land and materials.
- Real estate companies typically have high operating margins and low labor costs.
- Some commercial leases have explicit rent escalators tied to inflation.
- Sectors with shorter lease durations can take advantage of reflationary rents relatively quickly.



### Infrastructure

- Cash flows and asset values may have direct or indirect links to inflation.
- For example, with regulated utilities, inflation is typically factored in when determining consumer rates and included in utility project costs that can affect a utility's rate base.
- With marine ports, contracted rates typically include escalators if inflation exceeds a specified level.



### Commodities

- Commodities, such as grains, livestock and precious metals, frequently serve as direct inputs to inflation measures.
- Commodity prices tend to respond to economic forces, such as supply constraints and changes in global demand, that often drive the prices of other goods.



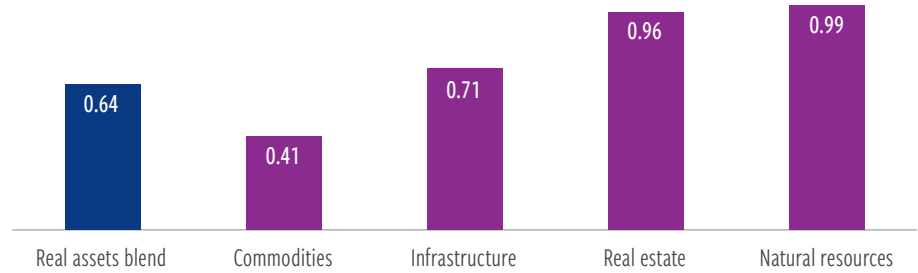
### Resource equities

- Demand for essential resources such as food, energy and metals tends to be relatively inelastic (i.e., independent of rising or falling prices), which typically enables resource producers to pass through higher costs of labor, commodities and other inputs onto customers.
- As a result, prices for raw materials tend to rise with broader inflationary pressures, which may help increase cash flows and widen profit margins for producing companies.

The historical benefits of having differentiated economic drivers can be seen in real assets' "beta," which is their sensitivity to the broad global equity market (Exhibit 3). A beta of more than 1 indicates that the asset class (over the timeframe being analyzed) exhibits more volatility than the broad equity market. A beta of less than 1 indicates that the asset class tends to behave differently or be less volatile than the market. In this case, the low market beta of real assets suggests significant diversification potential, which may help to reduce portfolio volatility—and, we believe, improve risk-adjusted returns.

EXHIBIT 3

**Low market beta of real assets suggests significant diversification potential**  
Beta to global equities  
1991–Q4 2025



At December 31, 2025. Source: Barclays, Bloomberg, Dow Jones, FTSE, S&P, Refinitiv Datastream and Cohen & Steers.

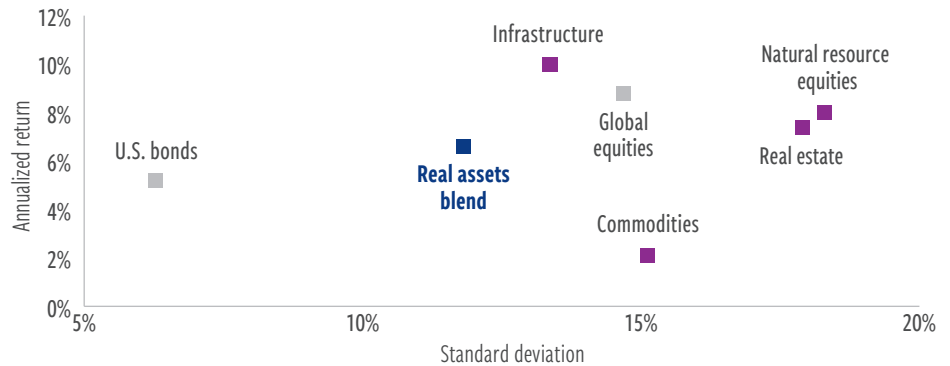
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**Attractive risk-adjusted returns**

Real assets have historically delivered attractive full-cycle returns that can potentially improve risk-adjusted portfolio returns without sacrificing growth potential. Over the last 35 years, a blend of real assets has exhibited returns competitive to those of global stocks, but with lower volatility (Exhibit 4).

EXHIBIT 4

**Historically attractive risk profile from real assets**  
Since 1991, a real assets blend has exhibited favorable risk-adjusted return.



	U.S. bonds	Global equities	Real estate	Commodities	Resource equities	Infrastructure	Real assets blend
<b>Annualized nominal return</b>	5.2%	8.8%	7.4%	2.1%	8.0%	10.0%	6.6%
<b>Standard deviation</b>	6.3%	14.7%	17.9%	15.1%	18.3%	13.6%	11.8%
<b>Sharpe ratio</b>	0.42	0.47	0.35	0.04	0.37	0.58	0.39

At December 31, 2025. Source: Barclays, Bloomberg, Dow Jones, FTSE, S&P, Refinitiv Datastream, Cohen & Steers.

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## Benefits of the blend

A diversified blend of real assets may offer an effective way for investors to target common objectives of a real assets allocation—such as boosting inflation sensitivity, enhancing diversification and improving the risk-return profile. (Exhibit 5).

### EXHIBIT 5

## Together

Matching real assets characteristics to portfolio objectives

Qualitative criteria based on Cohen & Steers' long-term expectations



	Diversification potential	Expected returns	Inflation sensitivity	Distinguishing features	Potential portfolio benefits
<b>Global real estate</b>				<ul style="list-style-type: none"> <li>Historically strong in most periods of economic growth</li> <li>Dividend growth typically outpacing inflation</li> </ul>	<ul style="list-style-type: none"> <li>Total return</li> <li>Income</li> </ul>
<b>Commodities</b>				<ul style="list-style-type: none"> <li>Typically perform well during periods of rising levels of economic activity</li> <li>Generally linked to demand/supply</li> </ul>	<ul style="list-style-type: none"> <li>Low equity correlation</li> <li>Inflation sensitivity</li> </ul>
<b>Resource equities</b>				<ul style="list-style-type: none"> <li>Typically move ahead of economic cycles</li> <li>Lead/lag with commodities</li> </ul>	<ul style="list-style-type: none"> <li>Total return</li> <li>Inflation sensitivity</li> </ul>
<b>Global infrastructure</b>				<ul style="list-style-type: none"> <li>Typically monopolistic and regulated structures</li> <li>Traditionally defensive</li> </ul>	<ul style="list-style-type: none"> <li>Total return</li> <li>Stable cash flows</li> </ul>
<b>Short duration fixed income &amp; gold</b>				<ul style="list-style-type: none"> <li>Traditionally defensive</li> <li>Historically maintain value during periods of geopolitical and financial uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>Reduces volatility</li> <li>Inflation sensitivity</li> <li>Income</li> </ul>

### Real assets blend



Diversification potential



Expected returns



Inflation sensitivity

At December 31, 2025. Based on Cohen & Steers analysis and expectations.

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# Why now

## Macro backdrop may favor real assets

We believe today's low relative prices are just one reason why the recovery in real assets may still have time to run. Potential catalysts for a longer period of outperformance include:

- Supply shortages across labor, product and commodity markets continue to impact inflation dynamics, with supply-side discipline in commodities production expected to persist.
- The combination of elevated public spending and peak globalization may sustain higher inflation over the coming decade, potentially weighing on stock and bond returns.
- Risk markets have been propelled by expectation of dovish central bank policy backdrop—led by the U.S. Fed—combined with an extended boom in AI-related investment will sustain U.S. and global growth trajectory.
- However, while stimulating into a bull market likely keeps recession risks at bay, we expect a corresponding (as yet unpriced) pickup in inflation

Within an economy characterized by a regime shift toward higher inflation, and real assets generally trading at compelling valuations relative to stocks, an allocation may offer an effective way to boost inflation sensitivity, enhance diversification and improve a risk-return profile.

## The Cohen & Steers advantage

We specialize as a firm in real assets and alternative income, and have the team, resources, and investment expertise in house that position us well to pursue alpha. We take a blended approach to real assets, managing the major categories as a single strategy. We have delivered consistent outperformance over the long term, through different market environments, including extreme periods such as the energy downturn, COVID, and geopolitical upheavals.

### Real assets strategy – Annualized returns (US\$)

	Composite (gross)	Composite (net)	Linked index <sup>(a)</sup>
QTD	11.40%	11.20%	12.10%
1 year	24.70%	23.80%	23.50%
3 year	13.30%	12.50%	12.10%
5 year	10.90%	10.10%	9.30%
10 year	8.50%	7.80%	7.30%
Since inception (January 2012)	5.40%	4.60%	4.50%

At March 31, 2026. Source: Cohen & Steers.

Past performance is no guarantee of future results.

(a) Linked Index: The linked blended index consists of 30% Bloomberg Commodity Total Return Index, 30% FTSE EPRA Nareit Developed Real Estate Index-net, 20% S&P Global Natural Resources Index-net, 12.5% ICE BofA 1-3 Year Global Corporate Index, and 7.5% Gold Spot price from 1/31/2012 through 9/30/2013; and by 27.5% FTSE EPRA Nareit Developed Real Estate Index-net, 27.5% Bloomberg Commodity Total Return Index, 15% S&P Global Natural Resources Index-net, 10% ICE BofA 1-3 Year U.S. Corporate Index, 5% Gold Spot price and 15% Dow Jones-Brookfield Global Infrastructure Index from 10/1/2013 and thereafter. See page 11 for index associations, definitions and additional disclosures.

### **Why the commodities recovery may continue**

Russia's invasion of Ukraine in early 2022 has thrown a spotlight on commodities as virtually every sector—from energy to agriculture to metals—has surged on supply concerns stemming from the war. While a welcome de-escalation of the conflict could cause commodities to pull back for a spell, we believe the macroeconomic conditions that have driven many commodity prices to multi-year highs could remain very constructive over the longer term. We believe the potential for a lasting economic recovery bodes well for an extended period of strong commodity consumption.

Inventories for most commodities were at multi-year lows before the pandemic hit, leaving producers scrambling to meet the now surging demand as economies reopen. A lack of investment in supply in recent years means ramping up output will take time. Also, Covid-related production issues and supply chain constraints that plagued many sectors during the pandemic (particularly metals) are still lingering.

After a challenging decade for commodities, we see potential for a sustained, broad-based rally, driven by three key factors:

- A highly supportive macroeconomic backdrop
- The strongest supply/demand fundamentals in a decade
- Attractive portfolio benefits—including inflation sensitivity—driving speculative inflows

## About the author

**Vince Childers, CFA**, Senior Vice President, is Head of Real Assets Multi-Strategy and a portfolio manager for Cohen & Steers' real assets strategy. He has 26 years of investment experience. Prior to joining the firm in 2013, Mr. Childers was a portfolio manager for real assets strategies at AllianceBernstein, where he co-managed a research team overseeing \$2.3 billion in assets. Previously, Mr. Childers was an associate in the financial advisory services department of Houlihan Lokey. Mr. Childers has an MBA from Carnegie Mellon University and a BS from Vanderbilt University. He is based in New York.



## Index definitions and important disclosures

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**Real assets blend:** 27.5% real estate, 27.5% commodities, 15% infrastructure, 15% resource equities, 10% short-duration fixed income and 5% gold. **Real estate:** Datastream Developed Real Estate Index through 2/28/05; FTSE EPRA Nareit Developed Index thereafter. The Datastream Developed Real Estate Index encompasses listed real estate companies in developed markets and is compiled by Refinitiv Datastream. The FTSE EPRA Nareit Developed Index is an unmanaged market weighted total return index which consists of many companies from developed markets that derive more than half of their revenue from property-related activities. **Commodities:** S&P GSCI Index through 7/31/98; Bloomberg Commodity Total Return Index thereafter. The S&P GSCI Index is a composite of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities, calculated on a fully collateralized basis with full reinvestment. The Bloomberg Commodity Total Return Index, formerly known as the Dow Jones-UBS Commodity Index, is a broadly diversified index that tracks the commodity markets through exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity. **Infrastructure:** 50/30/20 blend of Datastream World Gas, Water & Multi-Utilities, Datastream World Pipelines and Datastream World Railroads through 7/31/08; Dow Jones Brookfield Global Infrastructure Index thereafter. The Datastream World Index Series encompasses global indexes of companies in their respective sectors (Gas, Water & Multi-Utilities; Pipelines; and Railroads) and is compiled by Refinitiv Datastream. The Dow Jones Brookfield Global Infrastructure Index is a float-adjusted market-capitalization-weighted index that measures performance of globally domiciled companies that derive more than 70% of their cash flows from infrastructure lines of business. **Resource equities:** 50/50 Blend of Datastream World Oil & Gas and Datastream World Basic Materials through 5/31/08; S&P Global Natural Resources Index thereafter. The Datastream World Index Series encompasses global indexes of companies in their respective sectors (Datastream World Oil & Gas and Datastream World Basic Materials) compiled by Refinitiv Datastream. The S&P Global Natural Resources Index includes 90 of the largest publicly traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified, liquid and investable equity exposure across three primary commodity-related sectors: Agribusiness, Energy and Metals & Mining. **Short-duration fixed income:** The ICE BofA 1-3 Year U.S. Corporate Index tracks the performance of USD-denominated investment-grade corporate debt publicly issued in the U.S. domestic market with a remaining term to maturity of less than 3 years. **Gold:** Gold spot price in USD per Troy ounce. Global stocks: MSCI World Index, a market-capitalization-weighted index consisting of a wide selection of stocks traded in 24 developed markets. U.S. bonds: The ICE BofA U.S. Treasury 7-10 Year Bond Index measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than 7 years and less than or equal to 10 years.

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