

Real assets 2026 mid-year review and outlook: A tale of two quarters

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Key takeaways:

- Real assets delivered strong gains year to date, despite a pause in Q2 as market optimism shifted back toward AI-related equities.
- Secular trends remain intact as demand for essential physical assets have increased, as AI, energy demand and resource constraints, as well as a repriced real estate market, continue to support growth.
- Valuations remain attractive, supporting the long-term case for real assets and the diversification, income and long-term return potential the asset class may offer.

The first half of 2026 was really a tale of two quarters for diversified real assets.

Diversified real assets gained 12.1% in the first quarter as investors became concerned about narrow market leadership, rising geopolitical tensions and the potential for higher inflation.

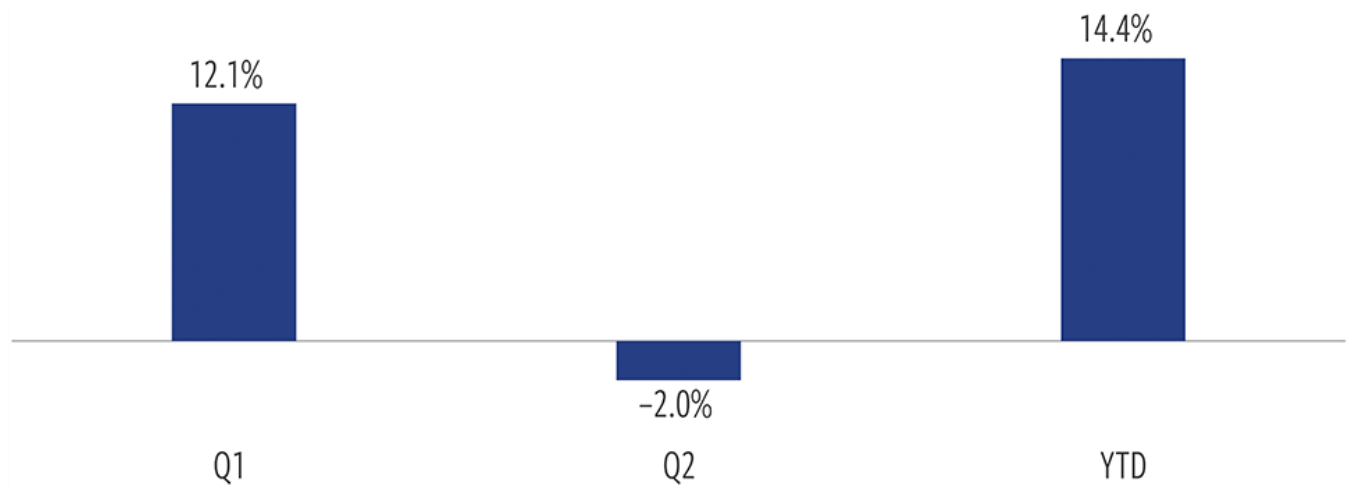
Capital flowed toward businesses tied to the physical economy, including real estate, infrastructure and natural resource equities.

In the second quarter, tensions in the Middle East eased.

Inflation expectations moved lower and enthusiasm returned to AI-related equities.

Diversified real assets declined 2% during the quarter.

Real assets strong returns paused in Q2 before resuming in second half



At July 31, 2026. Source: Bloomberg.

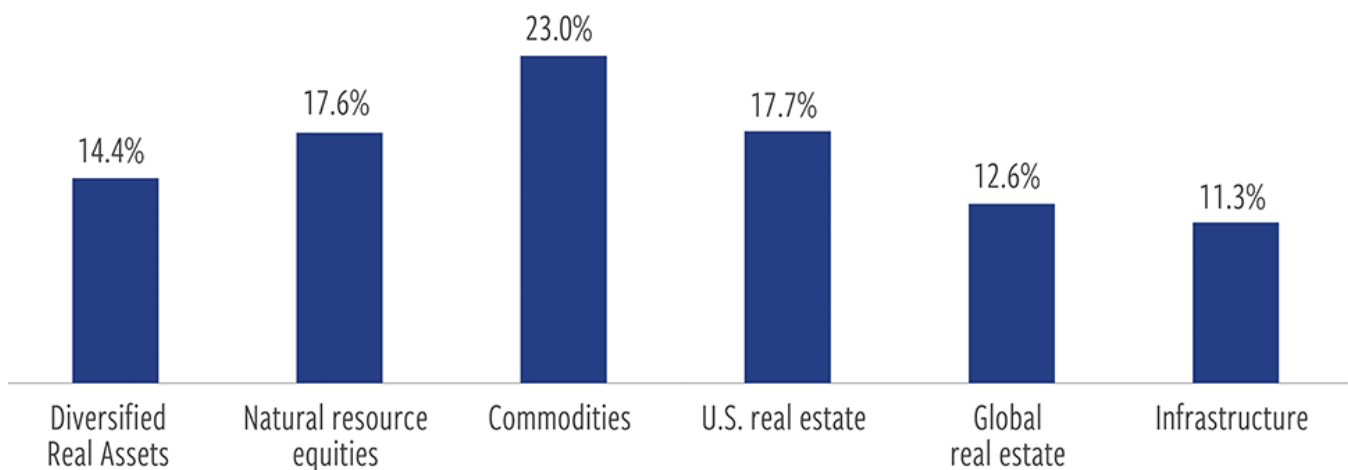
Geopolitical tensions re-emerged to start the second half of the year, reminding investors of the risks that drove first-quarter performance.

We don't expect a return to the peak levels of stress and uncertainty seen earlier this year, but recent developments reinforce our view that supply security, energy resilience and inflation-sensitive assets remain important.

With the strong start to the third quarter included, diversified real assets were up 14.4% year to date through July, outperforming a traditional 60/40 portfolio by more than eight percentage points in that period.

All real asset sleeves posted strong returns through July.

All real assets sleeves have performed strongly



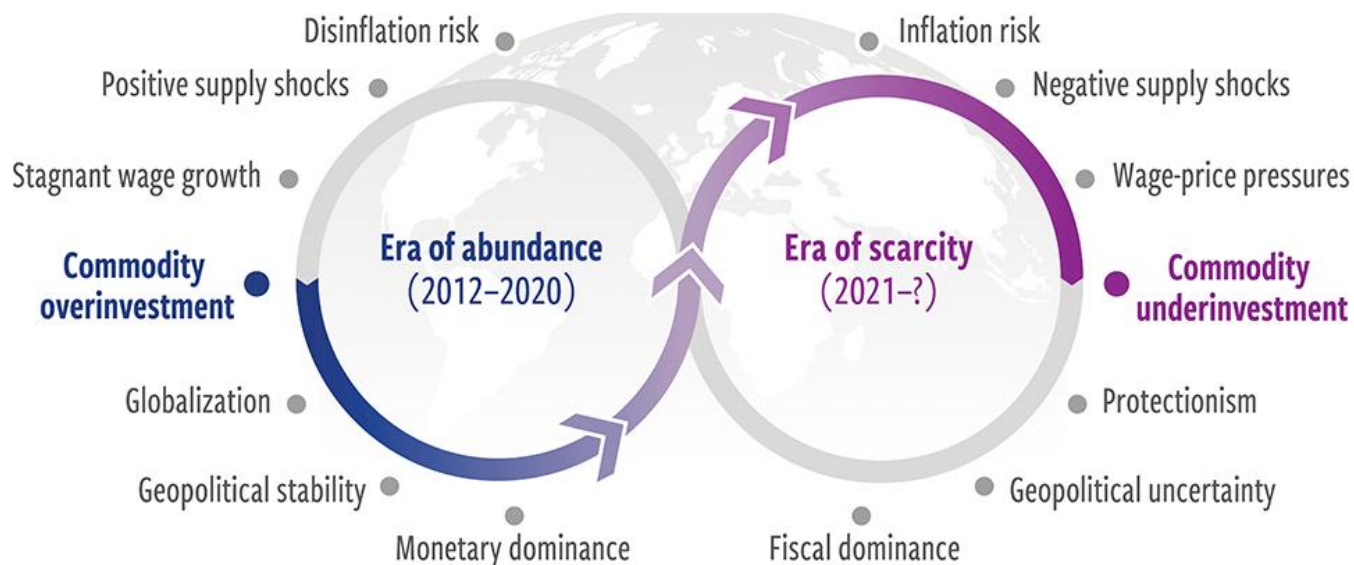
At July 31, 2026. Source: Bloomberg.

Natural resources equities returned 17.6%, Commodities 23.0%, U.S. listed real estate returned 17.7%, global listed real estate returned 12.6%, global listed infrastructure gained 11.3%.

The key point is that while investor sentiment has shifted, the underlying investment story did not.

Our central investment thesis remains what we call the Era of Scarcity.

'Era of Scarcity' remains our central investment thesis



At June 30, 2026. Source: Cohen & Steers.

For much of the decade prior to the pandemic, abundant capital, inexpensive energy, efficient supply chains and a generally stable geopolitical backdrop benefited investors.

In the years since, inflation risk, supply shocks, geopolitical uncertainty and protectionism have risen.

Demand for essential physical assets has increased, while supply constraints have climbed.

We see this dynamic across energy markets, infrastructure, real estate and critical resources.

Artificial intelligence has not only created heavy market concentration in broader equities, it's also driving expected growth in data intensity—posing opportunities for energy, critical materials and infrastructure.

And it's one of several secular themes driving growth and strong fundamentals across real assets.

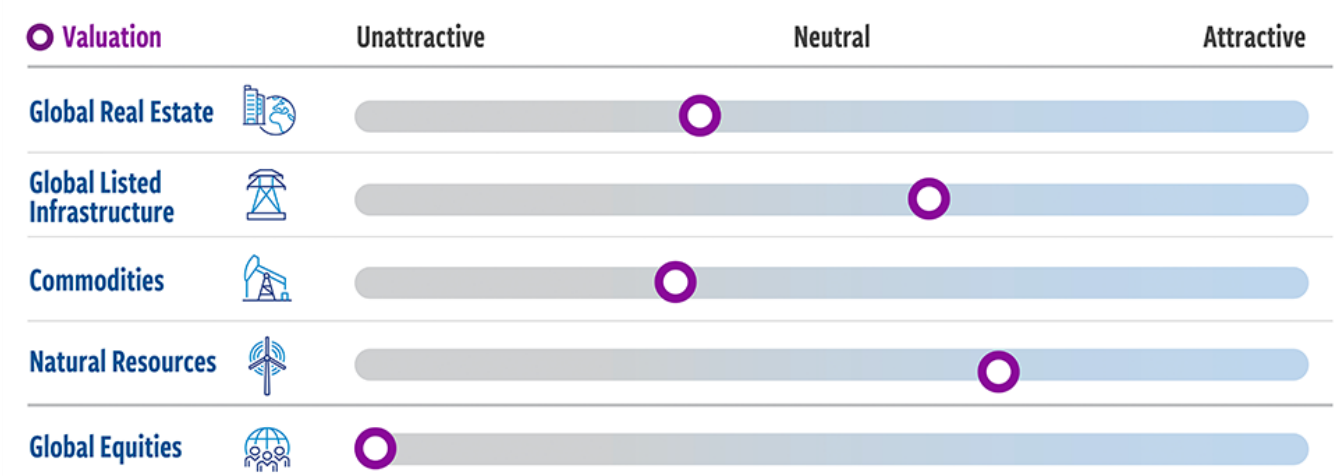
These are: Data demand, Deglobalization, changing demographics, decarbonation, and resource scarcity, which I mentioned earlier.

We also believe investors may be overlooking the fact that real estate prices have largely reset, while fundamentals have continued to improve driven by limited supply and a resilient global economy.

The final piece of the investment case is valuation.

While the broader equities trade at generally elevated valuations, real assets remain significantly more attractive than global equities.

Core real asset valuations remain significantly more attractive than global equities



At June 30, 2026. Source: Bloomberg, S&P Xpressfeed and Cohen & Steers.

Valuations: reflects the z-score of a proprietary set of valuation metrics, specific to each asset class.

So while markets may continue to move between enthusiasm for AI and concerns about inflation, geopolitics or economic growth, our view remains unchanged.

We believe investors are increasingly recognizing the value of owning scarce, tangible assets with inflation sensitivity whose value is supported by powerful long-term demand drivers.

Real assets continue to offer an attractive combination of diversification, inflation resilience, income generation and long-term return potential.

And we believe that opportunity remains compelling as we look ahead to the second half of the year.

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Index definitions

U.S. REITs: FTSE Nareit All Equity REITs Index.

Global REITs: FTSE EPRA Nareit Developed Real Estate Index.

Infrastructure: FTSE Global Core 50/50 Net Tax Index

Natural resource equities: S&P Global Natural Resources Index (Net)

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.

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