

Houseview real assets

a.s.r. real assets investment partners



The past few years have been characterised by higher inflation, interest rates and volatility. After a period of monetary tightening, inflation is gradually approaching target levels. With this stabilisation in sight, central banks are expected to cut interest rates again after a period of significant interest rate increases. Despite short-term uncertainty, a.s.r. real assets investment partners sees opportunities for real assets to benefit from megatrends in the long term. The main megatrends for real assets are ESG & climate change, demographic change and technology & innovation. In this houseview summary, a.s.r. real assets investment partners provides a high-level insight into the opportunities for real assets to capitalise on these megatrends.

Economic developments

Following the events of 2023, during which central banks worldwide made efforts to control inflation by raising policy interest rates, the first positive developments are now noticeable. Monetary policy appears to be effective, and inflation is moving towards target levels. With this stabilisation on the horizon, central banks are expected to cut interest rates in 2024.

The combination of higher inflation and policy interest rates is leading to lower global economic growth in the short term. As inflation eases and interest rates fall, there is the prospect of a gradual recovery of the economy. In the short term, this could lead to sustained volatility. For certain segments within real assets, this actually offers attractive entry opportunities. In the long term, the fundamentals for real assets are favourable.

Capitalising on megatrends with real assets

Besides short-term buying opportunities, there are megatrends that play a crucial role in determining long-term investment opportunities for real assets. These are ESG & climate change, demographic change and technology & innovation.

The impact of ESG & climate change, along with an increasing regulatory framework, is becoming increasingly evident for real assets. The difference in risk-return profile is expected to widen between investments with a sustainable and unsustainable strategy.

Demographic changes, including an ageing population, increasing urbanisation and changes in population composition in cities, require additional investments in growing metropolises. This maintains the fundamental demand for real assets.

The world is constantly changing through technology & innovation. This technology is subject to technological obsolescence, and this requires additional investments in digital infrastructure and smart buildings.

Beyond these megatrends, global economic shifts are taking place and geopolitical tensions are rising. These changes and geopolitical risks highlight the need for diversification within different asset classes and in various regions, such as Europe, the United States and Asia-Pacific.



Investment strategies for real assets

The opportunities, arising from the megatrends, translate into the following investment strategies for real assets.

Real estate			Infrastructure		Agriculture and forestry	
Affordable housing	Modern logistics	Net-zero offices	Renewable energy	Digital infrastructure	Transition to bio-based economy	Carbon credits
Affordable housing in cities with strong demographic and economic fundamentals	Modern logistics facilities at (international) hubs and last-mile logistics	Transforming offices to more sustainable net-zero offices	Solar, wind, storage, improving existing networks and other alternatives	Data centres, fibre optics and telecommunication towers	Agricultural land, horticulture and bio-industry transition	Timber as a building material where 'carbon credits' can serve as additional returns
€ ▲ ●	€ ▲ ●	€ ▲ ●	€ ▲ ●	€ ▲ ●	€ ▲ ●	€ ▲ ●

€ Return ▲ Risk ● ESG ● ● ○

Real estate

Changes in demographics and increasing ESG requirements are driving demand for affordable housing and net-zero offices. Given the rising cost of living and an increasing regulatory framework, affordable housing offers an attractive opportunity to capitalise on this trend. The rise of hybrid working and ESG standards are driving demand for net-zero prime offices in growing urban areas. Transforming obsolete offices into net-zero offices becomes an attractive option due to the mismatch between existing supply and tenants' needs. E-commerce, supply chain optimisation and the shortage of available supply continue to make logistics real estate appealing.

Infrastructure

At a time of rapid technological progress and increasing ESG awareness, attractive opportunities are presenting themselves within infrastructure. The growing demand for digital infrastructure, fuelled by innovation and ESG policies, opens doors to new opportunities. The rising need for data is driving demand for telecommunication towers and fibre optics, subsequently increasing the demand for data centres. Fully exploiting the renewable energy chain, including generation, storage and transport offers strategic opportunities.

Agriculture and forestry

In the world of agriculture and forestry, developments in demographics, ESG policies and climate change are increasingly affecting the asset class. The transition to a bio-based economy and carbon credit trading play a crucial role in this. Population growth and climate change are impacting the way food is produced, balancing the demand for organic food with available land. In agriculture, the focus should be on positive contributions to the environment. In forestry, production forests with strong emphasis on conservation and biodiversity make for an attractive option. Trading 'carbon credits' can serve as an additional source of return.

Navigating megatrends and volatility

Real assets offer an excellent opportunity to capitalise on megatrends for sustainable and future-proof returns. For the foreseeable future, real assets continue to offer attractive diversification opportunities within investment portfolios. As long as policy interest rates and inflation levels do not stabilise, volatility will persist. These uncertainties offer attractive short-term entry opportunities for selected strategies that benefit of these megatrends, making it possible to strategically capitalise on current market dynamics and portfolio optimisation.



Herman Gelauff
head of portfolio
management
herman.gelauff@asr.nl



Matthew Engels
senior portfolio manager
matthew.engels@asr.nl



**Michel van de
Ruitenbeek**
researcher
michel.van.de.ruitenbeek@asr.nl

Disclaimer

This is a marketing communication for professional investors. Investing involves risks. You could lose your money. Past performance is not indicative of future results. Before making any decision to invest, all features and goals of the investment product need to be taken into consideration, as set out in the investment product's prospectus. a.s.r. real assets investment partners is a trade name of ASR Real Estate B.V and listed in AFM's register. More information on the investment service of a.s.r. real assets investment partners is available at www.asrrealassetsinvestmentpartners.nl. This communication has been drafted as carefully as possible. This notwithstanding, information in this communication may not be complete or fully accurate. Liability as a result of this marketing communication is not accepted.

Publication date: 30 January 2024