Direct exposure to the cash-flows from utility, communication, or transportation assets can be attained via private market vehicles. (UBS)

# Can real assets help diversify my portfolio?

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**Exposure to "real assets," including commodities, infrastructure, and real estate, can provide investors with additional portfolio diversification and income, as well as the potential for long-term inflation mitigation.**

CIO currently sees appeal in direct and indirect infrastructure exposure, as well as commodity exposure. We stay selective on real estate.

**Infrastructure-linked assets can help stabilize income generation in an uncertain economic environment.**

- High barriers to entry and the monopolistic positioning of many of these assets make them less cyclical.
- Some operate on long-term contracts tied to inflation, providing a potential degree of inflation mitigation over the long term.
- Assets linked to digital connectivity and the energy transition are in particular focus.

**The structural case for further upside in energy, base metals, and agriculture prices remains intact.**

- Our view is based on a robust economic recovery in China, a potential inflection in the Fed's rate-hiking cycle, and supply-side issues that will keep markets tight.
- We maintain our most preferred stance on commodities and see total returns of 20% on the CMCI index over the next 12 months. We like gold and oil.
- We prefer direct exposure. But given the unique traits and drivers of each commodity, we think actively managed strategies provide a better risk-reward.

**We stay selective on real estate.**

- We remain positively biased toward private equity real estate over the medium term as rental indexation and reversion should support distribution yields. But current market illiquidity means we are neutral in the near term.
- We are neutral on listed real estate globally. An exception is Swiss-listed real estate funds due to a steep price correction in 2022 and solid market fundamentals. We also like Singapore REITs given their relative resilience, sound fundamentals, and stable dividends.

**Did you know?**

- Direct exposure to the cash-flows from utility, communication, or transportation assets can be attained via private market vehicles. Indirect exposure can be achieved via bond or equity markets.
- We have a most preferred stance on global utilities and industrials sectors—both are indirect ways of investing in infrastructure.
- Like with infrastructure, investors can gain exposure to commodities directly and indirectly. We currently prefer direct exposure.

**Investment view**

We see appeal in direct and indirect infrastructure exposure and direct commodity exposure. We forecast gold and Brent crude oil will reach USD 2,100/oz and USD 105/bbl, respectively, by year-end. We stay selective on real estate.

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**Content is a product of the Chief Investment Office (CIO).**

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