

# Real asset megatrends: Global trends shaping investment opportunities

Megatrends are long-term, global themes forecast to shape and transform society, the economy, and the environment over the next few decades. Investors are able to participate in the propagation of these trends through allocations to Real Assets, which are tangible physical assets with intrinsic value due to their substance and properties. The ability to identify and understand these trends helps to shape our opportunity landscape. We focus on four key megatrends which are highly interconnected: Energy Transition, Digitisation, Food System and the Natural World.

The value of investments will fluctuate, which will cause prices to fall as well as rise and investors may not get back the original amount they invested. Past performance is not a guide to future performance. The views expressed in this document should not be taken as a recommendation, advice or forecast.



## Energy transition

To limit global warming to 1.5°C above pre-industrial levels, in line with the Paris Agreement, greenhouse gas (GHG) emissions must be reduced by 45% by 2030 and reach net zero by 2050<sup>3</sup>. Increased global renewable energy capacity continues to play a major role in this path to net zero, with rapid growth forecast. By 2027, the global renewables capacity is expected to grow by 2400GW, equal to the entire power capacity of China<sup>4</sup>.

Beyond traditional renewables, opportunities exist in numerous high growth areas, including electric vehicle infrastructure, biofuels, decarbonisation of heat, and hydrogen.

Government support also provides attractive tailwinds: Across the European Union's REPowerEU plan, the Inflation Reduction Act in the US, and the UK's Ten Point Plan, an estimated US\$680bn<sup>5,6,7</sup> in clean energy policy funding aims to mobilise significant private investment<sup>3</sup>. The REPowerEU policy was notably a reaction to Russia's invasion of Ukraine, highlighting energy security as a key international priority.





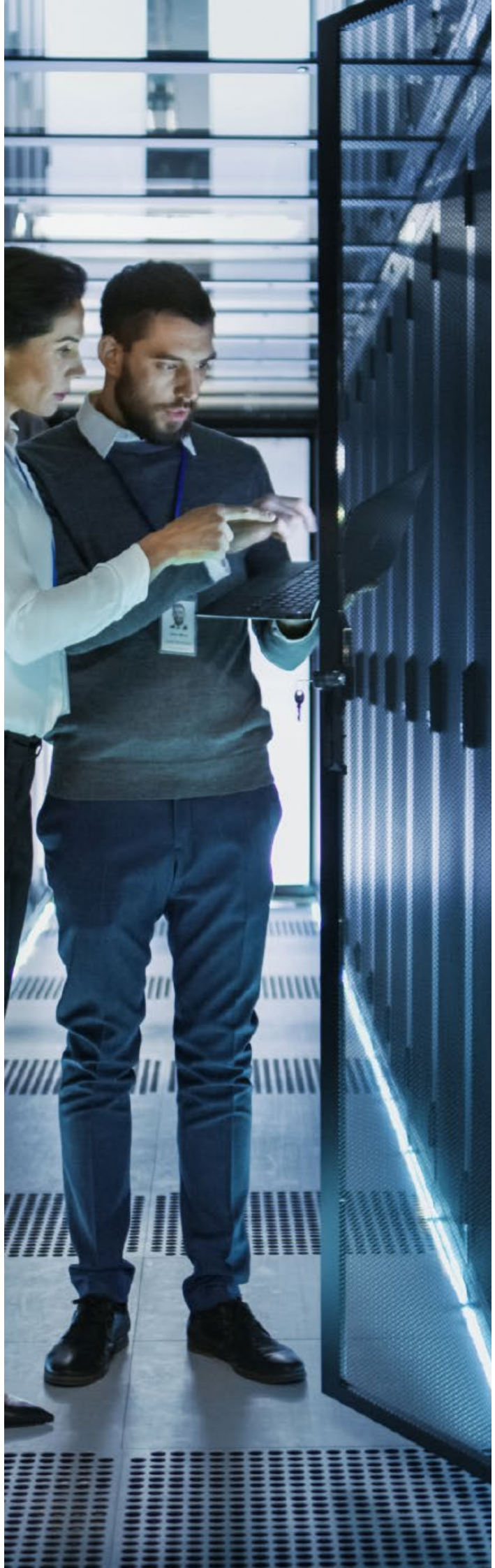
## Digitisation

As the global population grows and technology progresses, data has become an essential part of daily life across all sectors. Increased digitisation has the potential to speed up technological development, promote economic growth, and enable more efficient use of resources.

Despite rapid progression, a digital divide persists across developed regions such as Europe and North America. In the US, 24 million individuals currently lack access to high-speed internet, with many unable to connect due to gaps in digital equity and literacy<sup>8</sup>.

Given the significant funding gap, recent policy responses have played an essential role in generating investment tailwinds: the US Infrastructure Investment and Jobs Act provides \$65bn to upgrade broadband coverage, with a focus on unserved rural locations<sup>9</sup>.

Newer areas of the digital landscape, 5G and generative artificial intelligence, are creating never-seen before opportunities leading to significant demand for digital infrastructure such as fibre and data centre capacity.





## Food system

With the global population expected to reach 10 billion by 2050<sup>10</sup>, the world faces a growing demand for food amidst limited natural resources and increasingly frequent extreme weather events.

Food systems are responsible for one-third of global GHG emissions<sup>10</sup> and generate hidden costs of US\$12 trillion<sup>11</sup> related to health, environment and poverty. These rising costs, alongside the increasing threat from climate events, are forcing food producers and retailers to invest in sustainable solutions. Areas of focus include precision agriculture and technologies able to operate entirely independently of the external environment.

Institutional capital is still in the early stages of entering the market, with opportunities spanning large-scale agriculture, controlled-environment farming, and new food creation methods.



## Natural world

There is a growing global understanding that preserving and restoring natural ecosystems is essential to combat climate change, protect biodiversity, and safeguard economic activity.

\$44 trillion of economic value generation, over half the world's GDP, is moderately or highly dependent on nature and its services and is therefore exposed to risks from nature loss<sup>12</sup>.

While still in its early stages, policymakers are exploring ways to attract private sector investment through subsidies and carbon and biodiversity markets. Current opportunities include regenerative agriculture, improved forest management and habitat restoration, such as mangrove replanting.

Limited capital has been allocated, but expectations are for the investment opportunity set to grow as the journey towards protecting and restoring natural ecosystems progresses.

## Selection is crucial to unlocking value

Investing in Real Asset megatrends provides the opportunity to address one of the greatest global challenges: building a sustainable future. Despite the rapid growth in each of the markets, prudent deal selection remains crucial to unlocking value. Key challenges include navigating the complex and volatile macroenvironment while avoiding areas of the market trading at inflated valuations. Equipped with a robust investment process, increasingly deep expertise and a flexible approach to capture the most promising opportunities, we believe we have the potential to manage these challenges and deliver attractive returns within each of these themes.



This article was first published as part of the Mid-Year Investment Perspectives. Read the rest of the document [here](#).

<sup>3</sup> Net Zero Coalition | United Nations

<sup>4</sup> Executive summary – Renewables 2022 – Analysis – IEA

<sup>5</sup> REPowerEU: affordable, secure and sustainable energy for Europe, 2022 | European Commission (<https://ec.europa.eu>)

<sup>6</sup> Inflation Reduction Act: One page summary, 2022 | The Senate Democratic Caucus ([www.democrats.senate.gov](http://www.democrats.senate.gov))

<sup>7</sup> The 10 Point Plan for a Green Revolution, 2020 : UK Gov ([www.gov.uk](http://www.gov.uk))

<sup>8</sup> <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/are-states-ready-to-close-the-us-digital-divide>

<sup>9</sup> Fact Sheet: The Bipartisan Infrastructure Deal | The White House ([www.whitehouse.gov](http://www.whitehouse.gov))

<sup>10</sup> World population projected to reach 9.8 billion in 2050, and 11.2 billion in 2100 | United Nations ([www.un.org](http://www.un.org))

<sup>11</sup> Stop Food Loss and waste, for the people, for the planet | United Nations ([www.un.org](http://www.un.org))

<sup>12</sup> Nature Risk Rising | World Economic Forum ([www.weforum.org](http://www.weforum.org))



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