Genium Investment Partners

The Genium Brief
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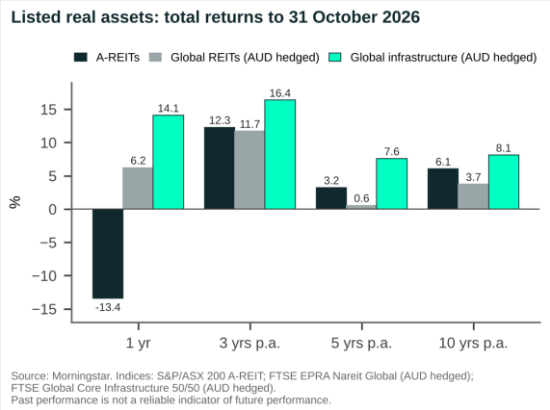
Listed Real Assets in a Higher-for-Longer World

A Practical Guide to REITs and Infrastructure

Listed property and infrastructure have long been described as "bond proxies": steady income payers whose prices move in the opposite direction to interest rates. 2026 has tested that label. Over the year to October, global listed infrastructure returned 14.1% and global REITs 6.2%, while Australian REITs fell 13.4%. Explaining that gap means looking beneath the labels.



The key point: listed real assets are driven by three things: the growth in their income, the rate the market uses to value that income, and the business model between the asset and the investor. In 2026, rising rates overwhelmed income growth in Australia, while infrastructure with contracted and inflation-linked revenue held up best.

Why this matters now

The Reserve Bank of Australia (RBA) has raised the cash rate five times this year to 4.85%, its highest level since 2008, and Australian 10-year government bond yields reached their highest level since 2011 in early October. Global markets faced higher yields too, yet results varied widely across regions, sectors and business models.

This paper starts with the basics, including the common terms used across the sector, then looks at where these businesses actually earn their returns, the rise of digital real assets such as data centres, and the roles of interest rates and inflation. With that grounding, we turn to performance over the short and long term, the differences between Australian and global markets, and some practical tips for reading a fund's returns.

Listed real assets: the basics

REITs. A real estate investment trust (REIT) is a listed vehicle that owns, and often manages, income-producing property and passes most of its rental income to investors as distributions. In Australia, A-REITs are usually trusts, and many are "stapled" to a company. Stapling lets the group run businesses such as property development or funds management alongside its property portfolio, which, as we explain below, matters a great deal for how they behave.

Listed infrastructure. Infrastructure companies own and operate the essential physical networks an economy relies on. Their revenue is usually earned under regulated, long-term contracts or concessions (a government-granted right to operate an asset, such as a toll road, for a fixed period), which tends to make cash flows more predictable than those of most businesses.

Table 1: The main sectors

Sector	Examples	Main demand driver
Property		
Industrial and logistics	Warehouses, distribution centres	E-commerce, supply chains
Retail	Shopping, neighbourhood and convenience centres	Consumer spending
Office	CBD and suburban offices	Employment, workplace use
Residential and living	Apartments, student housing, seniors living	Population growth, affordability
Healthcare	Hospitals, medical centres	Ageing population
Specialised	Self-storage, hotels, data centres, towers (US)	Varies by sub-sector
Infrastructure		
Utilities	Electricity and gas networks, water	Regulated returns, electrification
Transport	Toll roads, airports, ports, rail	Traffic, trade, inflation-linked pricing
Energy (midstream)	Pipelines, storage, LNG terminals	Long-term contracts
Communications	Mobile towers, fibre	Data usage, contracted tenants
Digital Assets	Data centres	Cloud and AI computing demand

From core to opportunistic. Managers describe the risk of real asset strategies using a spectrum that runs from core to opportunistic. The labels come from unlisted markets but are a useful lens for listed companies too: a listed REIT that mostly collects rent behaves like a core investment, while one with a large development pipeline carries value-add or opportunistic risk inside the same listed wrapper.

Table 2: The risk spectrum

Style	What it means	Examples	Return mainly from
Core	Mature, fully leased or regulated assets with low borrowing	Fully leased logistics estate; regulated electricity network	Income
Core-plus	Some added risk, such as lease expiries, moderate borrowing or volume exposure	Office with leases to renew; toll road with traffic risk	Mostly income
Value-add	Assets needing refurbishment, re-leasing or expansion	Re-leasing an older office; port expansion	Income and growth
Opportunistic	Development, distressed or emerging assets, often with more borrowing	Ground-up development; greenfield data centre	Mainly growth

Where the returns come from: rent, development or fees

In our view, understanding the mix of earnings is one of the most important, and least appreciated, parts of assessing listed property, particularly in Australia. There are three main sources.

Rental income is the core. It is driven by occupancy, rent reviews and the rents achieved when space is re-leased, and it is the most defensive and predictable earnings stream. The main risks are tenant failure, rising vacancy and the capital spending needed to keep buildings competitive, as office owners have found in recent years.

Development earnings come from building assets and either holding them at a higher value or selling them. Margins can be attractive, but profits are lumpy and depend on construction costs, financing, planning approvals, securing tenants and selling completed assets or stakes to capital partners. Goodman Group is a good illustration. Its operating profit rose 16% in FY26, yet by early October its share price was more than 20% below its June high. Its development work in progress was $19.7 billion at August, 78% of it data centres, and analysts flagged delays in leasing, completion or sell-downs as the key risk. The withdrawal of a $1.2 billion data centre proposal at Lane Cove in

Sydney after community opposition added a question mark over planning risk across the wider pipeline.

Funds management earnings come from managing property for other investors. Base fees are tied to assets under management, and therefore to valuations, while transaction and performance fees depend on deal activity and rising values. When valuations fall, all three tend to shrink together.

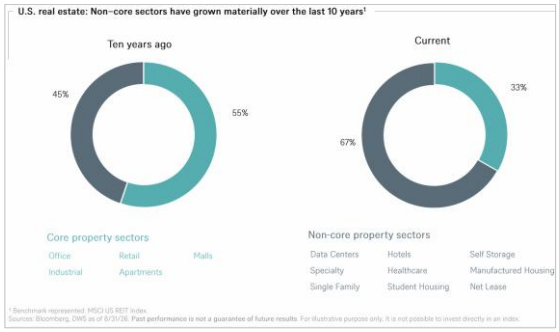
The interaction between these streams is what matters. Rising rates lower valuations, which cuts fee income, makes developments harder to sell at attractive prices and raises funding costs, all at the same time. Development and funds management therefore add leverage to the property cycle, lifting returns in good conditions and amplifying losses in poor ones. US REITs, by contrast, operate under tax rules that require most of their income to come from rent, so the US listed market is dominated by rent collectors. Comparing an A-REIT with a global REIT is often a comparison of quite different businesses.

Infrastructure has its own version of this. A regulated network or a fully contracted pipeline is the equivalent of a rent collector, while a utility spending heavily on new transmission lines for data centres is partly a developer, with higher growth but more execution and funding risk.

Digital real assets: property or infrastructure?

Digital real assets are the physical backbone of the digital economy: mobile towers, fibre networks and data centres. Towers and fibre are generally treated as infrastructure, as they are multi-tenant, contracted and hard to replicate. Data centres are where the lines blur, and that has real consequences for how they appear in portfolios.

The case for property. A data centre is a building on land, leased to tenants, and the largest listed owners are REITs. Global REIT indices include them as a specialised sector, and they have been one of the stronger parts of the market this year, with global data centre REITs returning 26.2% in US dollar terms over the year to October (Nareit).



The case for infrastructure. Much of a data centre's value lies not in the building but in its power supply, cooling and network connections. The product being sold is increasingly reliable electricity capacity, measured in megawatts, rather than floor space. Contracts with large cloud providers can be long and inflation-linked, and private infrastructure funds have become major owners of the sector.

Why the label matters. Tax and legal structures were not designed for these assets. In the US, REIT rules can be strained where a landlord provides extensive services, and in Australia and the UK, data centre income that is treated as trading rather than rent generally rules out REIT-style structures (Verdantix). The result is that the same type of asset can sit in a global REIT fund, a global infrastructure fund, a technology or equity fund, or a developer such as Goodman. For advisers, that creates two practical issues. The first is overlap: a client may hold data centre exposure in several places without realising it. The second is risk: a completed, fully leased data centre on a long contract behaves much like core infrastructure, while a speculative development, exposed to power availability, planning approval and finding tenants, behaves much more like opportunistic property. The stage of the asset matters more than the label.

Rates, yields and central banks

Interest rates affect real assets through three channels. The first is valuation. Assets are valued by applying a capitalisation rate (the income yield a

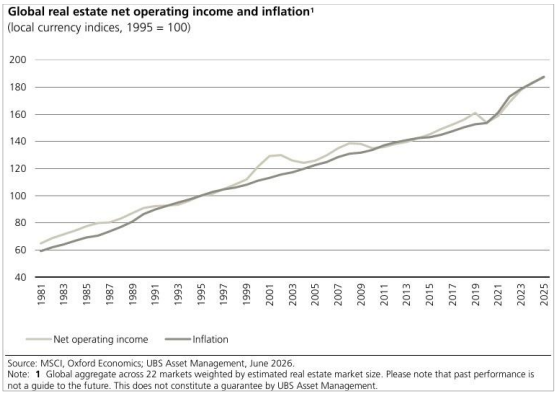
buyer requires) to their cash flows, and that rate is anchored to long-term bond yields, so values fall when yields rise unless income grows to compensate. The second is funding. Most of these businesses carry debt, so interest costs rise as cheaper borrowing and interest rate hedges roll off. The third is competition for income. With Australian government bonds yielding around 5%, a 4% to 5% distribution yield is far less compelling than when bonds yielded 1% to 2%.

Australia has felt these pressures more than most this year. With inflation running above 4%, the RBA raised the cash rate five times in 2026 to 4.85%, and Australian 10-year bond yields reached their highest level since 2011. The US Federal Reserve, by contrast, has raised rates only once and held steady in recent months. That gap in rate settings goes a long way to explaining why A-REITs lagged their global peers. There are early signs the domestic cycle may be nearing its peak: the RBA's latest decision was a split vote, and it dropped its signal of further increases. Bond yields remain volatile around 5% in both countries, however, so rates are likely to stay a key driver of returns in the near term.

The relationship is not purely mechanical. US REITs posted gains through much of the year despite higher bond yields, because rents kept rising and little new space was being built. UBS Asset Management notes that new construction, as a share of existing stock, has fallen across all major US property sectors, which supports rental growth from here.

Inflation protection: real, but not automatic

Over long periods the evidence is supportive; UBS data show global real estate net operating income (rent less property operating costs) broadly keeping pace with inflation since the mid-1990s. How well the protection works depends on how each asset's revenue is set.



In infrastructure there are three broad models. Regulated utilities earn an allowed return on an asset base set by a regulator, often indexed to inflation, although resets are periodic and allowed returns are themselves linked to bond yields. User-pays assets such as toll roads and airports typically have charges that rise with CPI or at fixed rates, but revenue also depends on volumes, which is why toll roads lagged when fuel costs rose this year. Contracted assets such as pipelines and towers rely on long-term contracts, many with inflation-linked or fixed increases.

In property, many Australian commercial leases have fixed annual increases, which cope with moderate inflation but not a spike. CPI-linked leases are more common in continental Europe. Sectors with very short leases, such as hotels, self-storage, student accommodation and US apartments, can reset rents quickly, and it is no coincidence that hotels and self-storage led global property returns in 2026.

The key point is that inflation tends to help the income line while hurting the valuation line, because higher inflation usually brings higher bond yields. Over the long run the income effect tends to dominate; over 12 months, the rate effect often does.

Performance in context

With those drivers in mind, the performance numbers become easier to interpret. Table 3 and the chart on the first page show returns over periods from one month to ten years, which together span the COVID-19 sell-off, the 2021 recovery, the 2022 interest rate shock and this year's renewed rise in yields.

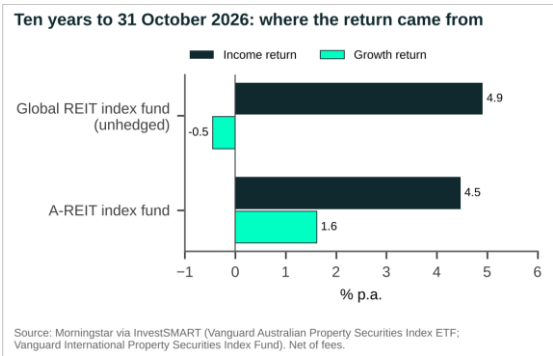
Table 3: Total returns to 31 October 2026 (%)

Index	YTD	1 yr	3 yrs p.a.	5 yrs p.a.	10 yrs p.a.
A-REITs	-11.66	-13.41	12.28	3.23	6.05
Global REITs (AUD hedged)	5.48	6.23	11.71	0.56	3.74
Global infrastructure (AUD hedged)	12.68	14.08	16.36	7.58	8.11

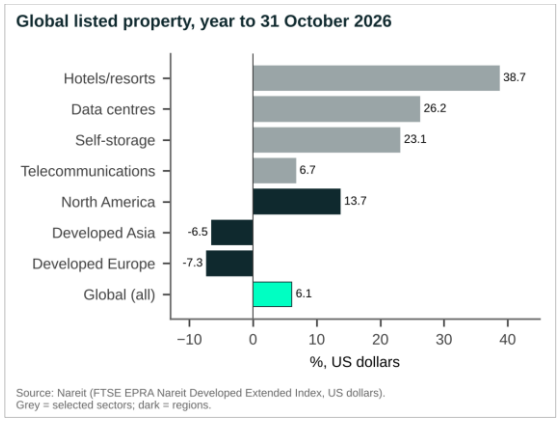
Source: Morningstar. Indices: S&P/ASX 200 A-REIT Accumulation; FTSE EPRA Nareit Global TR Hedged AUD; FTSE Global Core Infrastructure 50/50 TR Hedged AUD. Past performance is not a reliable indicator of future performance.

The start date matters. Global REITs fell 8.2% in 2020 as COVID-19 closed economies, rebounded 27.2% in 2021, then lost 24.4% in 2022 as central banks raised rates aggressively (FTSE EPRA Nareit Developed, US dollars). Since then returns have been positive but uneven: 10.9% in 2023, 2.0% in 2024 and 10.7% in 2025. A-REITs followed a similar path, with strong financial year returns of 19.9% in FY24 and 10.3% in FY25 (BDO). This history explains the odd-looking pattern in Table 3. Five-year returns start close to the 2021 peak, so they capture the full 2022 repricing; three-year returns start in October 2023, close to the previous peak in bond yields, which flatters them. Ten-year returns of 6.1% p.a. for A-REITs, 3.7% p.a. for global REITs and 8.1% p.a. for global infrastructure are a better guide to what these assets have delivered through a full cycle.

Income did the heavy lifting. Over the ten years to October, an index-tracking A-REIT fund earned around 4.5% p.a. from income and only 1.6% p.a. from capital growth, while an unhedged global REIT index fund earned 4.9% p.a. from income and slightly less than zero from growth. Across a decade that included a pandemic and the sharpest rate rises in a generation, almost all of the return came from distributions.



2026: a sell-off, a rebound and narrow leadership. Listed real assets sold off through August and September as the US 10-year yield climbed from under 4.60% in late July to 5.27%, then rebounded in October as it eased back to 4.91%; global infrastructure rose 7.8% in that month alone. Leadership was narrow. Within global property, North America returned 13.7% for the year to October while developed Europe and Asia fell, and the winning sectors were those with short leases or structural demand: hotels, data centres and self-storage. In infrastructure, electric utilities, pipelines, LNG and rail led, helped by rising electricity demand from data centres, while toll roads, airports and communications lagged as higher fuel prices weighed on traffic. A-REITs faced the double hit of domestic rate rises that went further than those in the US and a sell-off in their largest member, Goodman, as investors reassessed its development-heavy model.



Australia versus global markets

Australia makes up around 3.4% of the global real estate market (using MSCI data), and the A-REIT index is highly concentrated: Goodman alone made up around 37% of a leading A-REIT index fund at the end of October. An A-REIT allocation is therefore, to a large degree, a view on one global industrial and data centre developer. Global markets offer far broader exposure, including sectors that are small or unavailable on the ASX such as data centres, healthcare, towers, self-storage and single-family rental housing. Logistics alone has grown from 10% of the global

investable property market in 2004 to 28.2% in 2025 (UBS).

Business models differ too. The stapled structure allows A-REITs to combine rent collection with development and funds management, whereas the US market is dominated by rent collectors. Infrastructure shows a similar gap: the ASX offers a small number of large names, such as Transurban and APA, with little of the regulated utility, rail and tower exposure that makes up much of global indices. Finally, the rate cycle has diverged, with the RBA tightening further and faster than the Federal Reserve this year.

Currency is the final consideration. With Australian short-term rates currently above US rates, hedging global exposure back to the Australian dollar adds a small positive return (known as carry), although this would reverse if the rate gap closed.

Reading a fund's returns: a practical checklist

Two funds with the same label can deliver very different results. When reviewing a listed property or infrastructure fund, we suggest working through the following questions.

Is it hedged? Over the year to October, an unhedged global property index fund returned 0.2%, while the hedged global REIT index in Table 3 returned 6.2%. Most of that gap was currency rather than property, although the two indices are not identical.

What does the benchmark actually hold? Index definitions differ in important ways. "Rental" property indices exclude developers, "ex Australia" indices exclude A-REITs, and "50/50" infrastructure indices cap utilities at half the index. Comparing a fund with the wrong yardstick can make good or poor performance look like skill.

What is the sector and regional mix? In 2026 this was the single biggest driver of differences between infrastructure funds. One active global infrastructure fund held about 40% in electric utilities, with meaningful positions in rail and pipelines, all among the year's stronger sectors. Another held over 40% in continental Europe, with around a fifth in toll roads and a quarter in communications, which lagged. Neither approach is wrong, but they will produce very different returns in a given year.

How concentrated is it? Check the top ten holdings. An A-REIT index fund carries over a third in one stock, and the largest holding in a global REIT index fund is a US healthcare REIT at close to 10%.

How does the fund earn its money? Look through to the underlying businesses: how much comes from rent or contracted revenue, and how much from development or fees? A higher share of the latter usually means higher growth potential with more sensitivity to the cycle.

How much debt is involved, and when is it due? Borrowing levels, the share of debt that is fixed or hedged, and the timing of refinancing determine how quickly higher rates feed into earnings.

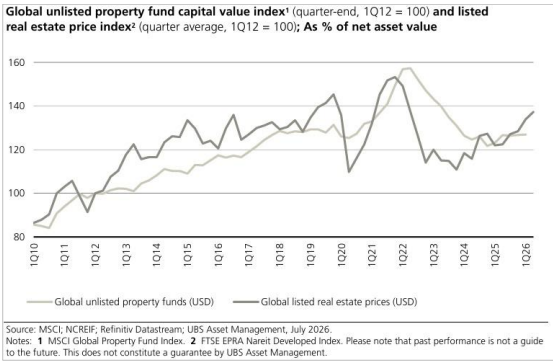
Where does the income come from? Check whether distributions are covered by recurring earnings, or supported by one-off gains, asset sales or capital.

Where else does the client hold the same assets? Data centres, towers and utilities can appear in REIT, infrastructure and equity funds at the same time, so overlap is worth checking at the portfolio level.

A note on unlisted real assets

Unlisted property and infrastructure are valued by periodic independent appraisal, which smooths reported volatility but not the underlying economic risk. UBS notes that unlisted global property fund capital values fell 22.6% from peak to trough after rates rose (MSCI Global Property Fund Index, US dollars), that the asset class bottomed during 2024, and that listed real estate has historically led the unlisted market. With US REITs trading at around 82% of estimated forward net asset value (NAV) in early October against a long-term average of 97% (BofA), listed markets

appear to be pricing in more rate pressure than some private valuations. UBS also highlights wide dispersion between the best and worst unlisted managers, making manager selection a key driver of outcomes, and unlisted exposure brings liquidity constraints that need to match client needs.



The bottom line

Listed real assets are driven by three things: the growth in their income, the rate the market uses to value that income, and the business model that sits between the asset and the investor. 2026 has shown how quickly the second can overwhelm the first, and how much the third matters. Rent-driven REITs and infrastructure with contracted or inflation-linked revenue have generally held up better than businesses relying on development profits and fees. The key risks are higher-for-longer rates and refinancing costs, development and planning risk, fee cyclicality, regulatory resets, sector obsolescence and, in Australia, concentration.

These assets are not bond replacements and can be as volatile as shares in the short term; their value lies in complementing the rest of a portfolio. With the three-year correlation between global shares and bonds at 0.54, compared with -0.33 in the decade after the GFC (Cohen & Steers), traditional diversification is less dependable than it was, and real assets add return drivers tied to physical demand and essential services. Income is the other strength: over the past decade, distributions delivered almost all of the return from listed property. That consistency of income, combined with inflation-linked cash flows, is why we see a measured, globally diversified allocation across both property and infrastructure as a valuable long-term building block, with an emphasis on rent-driven and contracted earnings and a clear understanding of what each fund actually holds.

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