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Macro Markets Podcast Episode 84: The Real Assets Investment Proposition

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Jay Diamond: Hi everybody, and welcome to Macro Markets with Guggenheim Investments, where we invite leaders from our investment team to offer their analysis of the investment landscape and the economic outlook. I'm Jay Diamond, head of thought leadership for Guggenheim Investments, and I'll be hosting today.

Now let's get started. With all the uncertainty and volatility in the markets of late, it's a good time to revisit real assets and, in particular, the physical infrastructure that keeps economies running.

And we just published a paper on this asset class called *The Advantages of Investing in Infrastructure and Other Real Assets*, which covers this asset class. And there'll be a link to this paper in our show notes.

So here to help us better understand the important role real assets can play in the economy and in a portfolio, is John Tanyeri, head of our Real Assets Group and an author of this new paper.

Welcome back, John, and thanks for taking the time to chat with us today.

John Tanyeri: Hi Jay. Thanks for having me back. Very excited to talk to you about real assets and where we are currently in the economic environment.

Jay Diamond: Let's briefly begin with a broad overview of real assets, which can mean different things to different people. How do you define real assets?

John Tanyeri: When I think about real assets, I start with a very simple idea in that these are physical, hard asset-backed businesses. They are tangible, essential, and they help support everyday life and tend to be mission critical to economic activity. At Guggenheim, our Real Assets platform includes investments in infrastructure, real estate, and private structured credit or ABF.

Honestly, I think that category's broader than many people assume, given the recent convergence of asset classes.

For example, where data center campus is a real estate asset in one sense but is also part of infrastructure of the modern economy because it stores and moves digital information. So an industrial logistics facility may be called real estate, but it's embedded in a supply chain and serves mission critical distribution. So it behaves much more like a real estate asset than a traditional commercial building.

The reason why I think this definition matters is that it changes how you think about the asset class. So you're not just buying land or buildings, you're actually investing in essential use, cash flowing systems with real barriers to entry, real operating complexity, and often long duration value.

Jay Diamond: Now you talked about this a little bit, but what sectors or asset classes does real assets include?

John Tanyeri: Sure. So it's a broad universe. But I think the cleanest way to describe it is that real assets can be organized around the movement of goods, people, energy and digital information. Under the movement of goods, I would include logistical facilities, warehouses, rail assets, shipping, storage, ports, and parts of the industrial real estate ecosystem that are deeply tied to supply chains, which we all know is incredibly important, especially after COVID.

Under the movement of people, you're talking about roads, bridges, tunnels, airports, parking, transit and in some cases, social infrastructure that helps support communities. Under the movement of energy, it's generation, transmission, distribution, storage, pipelines, LNG infrastructure--which is extremely prevalent here in the US--renewables and power related assets. And then finally, under the movement of digital information, you have data centers, fiber, telecom, 5G related assets and power systems that are needed to help support that ecosystem.

Jay Diamond: Now from an investors perspective, what benefits does investing in real assets bring to a portfolio?

John Tanyeri: The first benefit is mainly real assets can potentially provide essential products and services. So people still need electricity, data connectivity, freight movement and housing related infrastructure regardless of where we are in a business or economic cycle. That creates consistent demand and is often more durable than what you would typically see in many traditional asset classes.

Second, many real assets have contractual or regulated cash flow frameworks. That's extremely important because it creates better visibility into revenue, more downside protection, and tends to be economically inelastic. So, if you own a renewable project, a pipeline with long term agreements, or a digital infrastructure asset with durable customer relationships, you often have a clearer line of sight to income than you do in most cyclical sectors.

Third, real assets can improve portfolio diversification, and this is extremely important for our clients. Private infrastructure historically has had lower sensitivity to public market sentiment than traditional equities, especially when the underlying assets are contractual or regulated or monopoly like in that nature. That doesn't mean that they're risk free. They're not. But it does mean that they behave differently, which is extremely valuable given portfolio construction.

And fourth, which is extremely important given today's environment and what we're seeing, is that they offer inflation resilience. In the best cases, the asset either has explicit CPI-linked pricing, regulated returns that adjust over time, or a replacement cost profile that we believe improves the value of existing assets when new construction gets more expensive. So, for example, a toll road concession or a midstream asset with escalators tied to inflation.

Another example would be a real estate asset like let's say, a well-located industrial facility where replacement costs keep rising, making the existing assets more valuable. And on the hard asset side, a contracted LNG export facility may benefit from its criticality and scarcity. So, I would summarize the benefits in this way, Jay, honestly, like real assets can provide income diversification, inflation linkage, and exposure to long duration secular growth through assets that people and businesses genuinely need.

Jay Diamond: If you're an asset allocator, an institutional investor, or an individual investor for that matter, how should you think about real estate in a diversified portfolio across investment asset classes?

John Tanyeri: Sure. So real asset opportunities today are not driven by one cycle or one specific policy. They're driven by long duration structural forces that are reshaping the physical economy. First there is a significant supply demand imbalance. There's a massive need for infrastructure investment, whether it's energy, digital or transportation. And traditional funding sources like banks have pulled back. That creates an incredible funding gap and an opportunity for private capital like Guggenheim to step in and fill.

For example, the US still faces a major infrastructure funding shortfall. The American Society of Civil Engineers 2025 report card estimated a \$3.8 trillion infrastructure gap between planned spending and what is needed through 2033. That tells you that Real Assets today is not a niche category or sector anymore. They are increasingly central to how growth gets financed, and the inability to finance or fund this growth potentially has negative implications.

Second, higher cost of capital and market volatility is extremely important. With rates higher than they were a few years ago, you're seeing more disciplined underwriting and more attractive entry points, but also more dispersion in asset quality. And then third is the complexity in transactions. Transactions today are becoming more structured, more negotiated, and often require flexible capital solutions, whether that's across debt, equity, or even hybrid structures.

I would describe the main drivers as the four D's digitalization, decarbonization, deglobalization, and demographics. I think that's a very effective way of explaining why the opportunity set is broadening.

Jay Diamond: Let's dive into these, for Ds, as you call them, and what you described in the new paper. Why don't you tell us what they are?

John Tanyeri: So let's start with digitalization. Digitalization is the build out of the physical backbone needed to store, move and process information. That means data centers, fiber networks, towers, substations, backup power, and cooling infrastructure. What has changed over the last 18 months is the scale and urgency of the buildout. We've seen what AI has done to not only our personal economy but to the global economy.

And it's not just a telecom story anymore. It's now a power story. The Berkeley Lab estimates that US data center electricity could rise from 176 terawatts to 580 terawatts by 2028. And that data centers are going to consume approximately 12 percent of total US electricity by then. So, when I think about digitalization now, I don't just think about buying data centers or financing data centers. I think it's about the whole ecosystem around them: generation, transmission substations, cooling fiber, and power access.

And that means is it front of the meter financing opportunities or bespoke back-of-the-meter financing opportunities for a number of the hyperscalers? This part of the four Ds, the digitalization that we're talking about continues to expand the infrastructure universe. On the energy side, I would say the conversion has broadened. Decarbonization while it's still on the back burner in the US, it's still very real globally.

But energy security and system reliability are now central. The market increasingly understands that you can't have successful energy transition without enough dispatchable power, such as storage or enough transmission, or enough domestic resilience. So, to summarize, I would say digitalization is now inseparable from power infrastructure. Decarbonization is increasingly being pursued through lens of energy security and reliability.

Jay Diamond: And what about deglobalization and demographics?

John Tanyeri: What we're seeing with deglobalization is a shift in manufacturing back to the United States. That shift has led to a number of real estate opportunities in the industrial space. And so warehousing and then adjacent port and rail infrastructure continues to grow that eco system. That is a major theme that has grown under the Trump administration. We see, for example, a number of chip factories moving to the US, as well as traditional manufacturing.

When we think about demographics, obviously there's a lot that has to do with the environment and how shifting demographics has moved populations from the coast to the interior of the country. That provides opportunities to grow a number of social infrastructure projects. And we see that happening a little more slowly than the other three Ds but continues to grow.

Jay Diamond: There's obviously a lot going on in the world today with AI investment surging and the conflict in Iran still in play. Two of the four Ds you described, digitalization and energy, are probably more front of mind than ever. Can you give us a specific update on these two drivers of real asset investing in the case of what we're seeing in the world today.

John Tanyeri: Sure. So you're right. The current middle East conflict has reinforced the point that energy security is front and center. Yesterday we saw a report that the US actions toward Iranian ports and the border conflict continues to push oil up around that \$100 a barrel range where before the conflict started, it was close to \$60.

And so that really underlines how quickly geopolitics can affect energy markets and the value of domestic infrastructure resilience. In the end, we believe that this will push Europe to build more LNG regasification facilities and, more important, import more energy from the US, as alternatives have shown less resiliency due to the current conflict. In the end, I think it's a reset when it comes to natural gas from an LNG perspective and also potentially oil.

Jay Diamond: So, John, again, a lot going on in the markets. Are you seeing a flight to safety element in infrastructure allocations today.

John Tanyeri: I think we are seeing a version of that. But I would describe it carefully. It's not a blind rush into anything labeled quote unquote infrastructure. It's a move towards contracted, regulated, and operating assets where cash flows are prevalent and easier to underwrite. So, for example, in periods of geopolitical stress that we have today or inflation uncertainty and we saw that with what's going on with the PCE and the PPI or even wider credit dispersion, allocators tend to prefer assets with clearer downside protection or risk mitigation.

And that means that we are asking different questions. So is the revenue contracted? Is there inflation linkage? Is the asset operating? How is it operating? How exposed is it to merchant

pricing, construction risk or technological obsolescence? Those are the right questions that we need to ask when we're actually underwriting these assets.

So the flight to safety inside real assets often means a preference for things like regulated utilities, contracted midstream, matured digital infrastructure and stabilized logistics. These are essentially assets that offer opportunity across the risk spectrum, but the market is paying a premium for that visibility and for that safety. So yes, I think there's a flight to safety, but it's really a flight to quality within infrastructure.

Investors still want upside, but they want it well anchored to asset quality, contractual visibility in sectors where the demand case remains durable even if the macro backdrop gets a bit noisier.

Jay Diamond: Well, let's talk a little bit more about the current market environment, John. Credit spreads, yields, and deal flow have all been shifting of late. And infrastructure isn't kind of a high turnover liquid market like some other exchange traded securities are. So, what are you seeing across the infrastructure debt landscape. And what does it mean for allocators.

John Tanyeri: Sure. So I would make three general points. First. Infrastructure debt is becoming more attractive because returns are more competitive, while protection remains relatively strong. So yields are more attractive than they were during the ultra-low rate period. And that matters. So infrastructure debt now offers a compelling all-in return profile, especially for allocators who want income and capital preservation characteristics without taking on that private equity style risk.

Spreads currently right now, or anywhere between 200 to 275 basis points off the interpolated I-curve for a traditional triple-B asset class or investment grade. Second, we're seeing more dispersion in credit quality. So not all infrastructure credits are equal. I mean, two assets maybe both called infrastructure, but one could be fully contracted having investment grade style cash flows, while the other has construction risk, volume risk or weaker counterparties.

That means manager selection and underwriting debt matters a lot more than just broad asset allocation. And third, deal flow here is extremely important and needing to be selective, right. Total global infrastructure debt volume reached almost one trillion in 2025, up from approximately 790 billion in 2024, which tells you that there's real activity in the market. But that does not mean that every deal is equally compelling.

A lot of what is coming to the market now needs to be screened carefully for structure, sponsor behavior, and asset durability. I think we're getting towards late cycle, and with late cycle potentially comes the issuers potentially expanding their universe of financing alternatives. Sometimes structures can be weaker, pricing can be tighter. It's up to a good asset manager like Guggenheim to make sure that we're selecting the right opportunities and ultimately structuring those transactions to extract the proper relative value that we need for our clients.

Jay Diamond: And if I'm not mistaken, there's a significant debt maturity wall coming up. How significant is it? How do you manage through that?

John Tanyeri: It's a good point. It is significant. And that's one of the most important factors in the next few years. The basic issue is straight forward. A lot of assets and capital structures that were put in place during the very easy monetary period of 2020 and 2021 are now moving towards refinancing in a higher rate, more discriminating market. So, for example, like commercial real estate has about 875 billion of commercial mortgages scheduled to mature in 2026 alone.

We see a huge refinancing wall, especially in Europe, given the floating rate assets that were put in place in 2020 and 2021. Those are different buckets. But they point to the same core issue. The refinancing environment is much less forgiving than it was when these deals were originally originated. So in infrastructure and hard assets this creates both risk and opportunity.

I think the risk is obvious. Some assets were capitalized at peak valuations and potentially on assumptions that may not hold. But the opportunity is that there are high quality lenders and flexible capital providers that can step up where traditional financing is either more expensive or not available. So where we see this really is in the middle market.

A sponsor that financing asset, for example, in 2021, may now need to refinance at a higher coupon or inject more equity or sell a minority stake or even restructure the capital stack. That creates opportunities for us in senior debt, junior capital, preferred equity, or even continuation style solutions, depending upon the asset. From our perspective, when you look at our broad platform, where we play across various sectors and up and down the capital structure, we're able to participate in each of those opportunities.

So the maturity wall is not just a risk headline, it is a source of transaction flow. It will create refinancings, recaps, and asset sales. And for investors with underwriting depth and flexible structuring capability, this can be one of the best hunting grounds in the market over the next several years.

Jay Diamond: So, John, pulling it all together, the four Ds, the secular drivers of investment returns in infrastructure and real assets, the geopolitical backdrop, the \$400 billion plus refinancing wall, with all this arrayed in front of you in your seat, where do you see the most compelling opportunities from here?

John Tanyeri: So, Jay, you do a good job of summarizing and there's a lot there. But for the sake of the listener, let's highlight three areas. So, first is digital infrastructure and the power ecosystem around it. AI and cloud computing demand are creating very real physical bottlenecks. The

obvious assets are data centers and fiber. But the more interesting opportunity may often be in adjacent asset classes such as substations, transmission, backup generation, land with secure power access, back of the meter opportunities, and other enabling infrastructure.

Second, I see an opportunity in energy security and reliability assets. That includes LNG related infrastructure, gas fire generation in the US where it supports system stability, energy storage to help sustain those investments, especially during peak periods, transmission grid modernization, and selected transition assets that can deliver cleaner power without sacrificing reliability. And third, I think the refinancing wave is creating an opportunity in the mid-market.

Our emphasis on the middle market, on sourcing outside traditional channels, on investing across capital structures, is the perfect environment where good assets may need new capital but not necessarily need full ownership. Our ability to become creative really sets us apart from the market. So, in those situations, the best opportunities are often not plain vanilla equity deals.

They may be senior debt, sub debt, preferred equity. Our strength is the ability to provide clients with these bespoke asset opportunities across the capital structure to maximize relative value.

Jay Diamond: And what kinds of yields and return expectations are you looking for in the market today.

John Tanyeri: So as you know, on the debt side, we're currently seeing and these assets tend to be very long duration, but anywhere like we said from 200 to 275 basis points of the I-curve, they typically tend to be very long given the long contract modernizations. On the equity side, we see opportunities in the mid-teens.

Jay Diamond: And those yields, if it's 200 or 275 off of the curve, that lands you around 7 percent plus or minus?

John Tanyeri: That's about correct. Yeah. Right around there.

Jay Diamond: All right, John, thank you so much. Your time is valuable and we appreciate your spending time with us. But before I let you go, where does some final takeaways that you'd like to leave with our listeners after this very wide-ranging conversation?

John Tanyeri: Sure. Well, first, I'd like to thank everybody that's listening today and hopefully you found it useful. I think my closing thought would be that real assets matter most when markets

remind investors that the economy is still built on physical systems. So, my message is simple and I would leave listeners with this: Real assets provide durable income, inflation linkage, diversification, and access to long term secular growth. But the real edge comes from disciplined underwriting and the ability to understand what makes one physical asset truly strategic, especially where market complexity or capital dislocation creates better structure and better pricing.

Jay Diamond: John, thank you again for your time. Very insightful and informative. I hope you'll come back and visit us again soon.

John Tanyeri: Looking forward to it. Thank you.

Jay Diamond: Jay, and thanks to all of you who have joined us for our podcast. If you like what you're hearing, please rate us five stars. It helps people to find us. And if you have any questions for John Tanyeri or any of our other podcast guests, please send them to MacroMarkets@GuggenheimInvestments.com, and we will do our best to answer them on a future episode or offline.

I'm Jay Diamond. We look forward to gathering again for the next episode of Macro Markets with Guggenheim Investments. In the meantime, for more of our thought leadership, including, as I mentioned, our recently published paper, *The Advantages of Investing in Infrastructure and Other Real Assets*, please visit us at [Guggenheim investments.com/prospectus](https://guggenheiminvestments.com/prospectus). So long.

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