

Liquid Real Assets – Recap & Outlook

Second Quarter 2021

IN A NUTSHELL

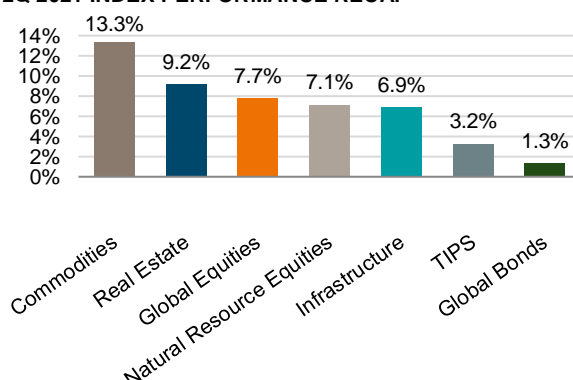
- At the beginning of 2021, we expected a reflationary environment to be beneficial and higher nominal interest rates to be driven by both rising inflation and strong economic growth.
- In the second half of 2021, difficult comps are expected to drive the economy into Quad 4 (i.e. decelerating YoY growth and inflation), a backdrop that typically favors a defensive portfolio. As positive base effects for growth and inflation fade, a more balanced exposure between cyclicals vs. defensives within real assets is warranted while we remain positive overall on risk assets.
- Overall, we believe stable real asset classes and companies with quality fundamentals and earnings resilience have the potential to provide strong risk-adjusted returns.

Summary

During the second quarter, risk assets were supported by vaccine optimism, solid corporate earnings, and supportive central bank policy. Macro indicators helped facilitate a relatively calm backdrop with benign interest rates, lower volatility, and declining credit spreads. Inflation was in focus as investors debated whether its nature would be transitory or ultimately prove sticky and disruptive. While the spread of troubling new variants of the COVID-19 virus began to temper investor optimism towards quarter-end, global stocks weathered inflation and central bank tightening concerns to close near a record, supported by the ongoing economic recovery. Against this backdrop, real assets closed out a solid quarter, with Commodities the clear standouts against a backdrop characterized by supply shortages in the face of surging post-lockdown demand; Crude Oil prices rose to 3-year highs as investors interpreted disagreement over production quotas amongst members of OPEC+ as an incrementally bullish signal. Real Estate was also strong during the period, as the economic backdrop revealed healthy underlying property market fundamentals and attractive relative valuations.

the lockdowns in 2020 diminish. Nonetheless, we expect that strong nominal growth figures will provide support. We are watching continuing jobless claims more closely as a number of states have reduced topped-up unemployment benefits. A more hawkish Fed, new COVID-19 variants, and a less supportive economic regime suggest a more balanced approach across portfolios in the near-term.

2Q 2021 INDEX PERFORMANCE RECAP



Source: DWS Group, Bloomberg. As of 6/30/21.

Looking ahead, our macro outlook suggests decelerating growth during the third quarter as beneficial base effects of

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Global Infrastructure

We believe “pure-play” global infrastructure securities remain attractive based on valuations versus broader equities and stabilizing fundamentals.

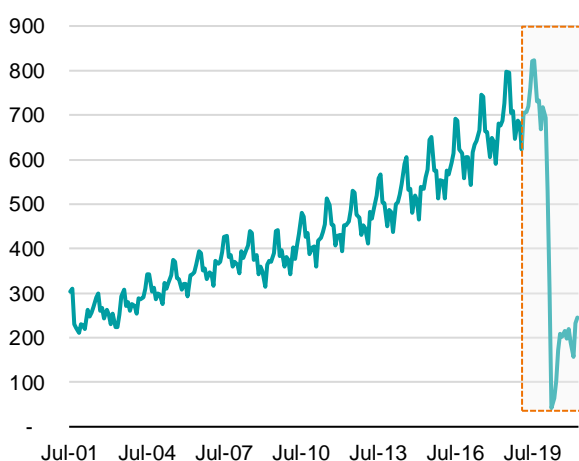
Global infrastructure performance was mixed across sectors and regions, posting a +6.9%¹ return in 2Q. Energy infrastructure stocks were supported by the economic re-opening and rising Crude Oil prices. U.S. Towers were aided by an accelerating 5G capital spending cycle, with the four major U.S. carriers committed to rapidly deploying 5G networks over the next several years.

The Midstream Energy sector continues to recover, and we believe stock selection will play a critical factor given the diverse nature of the industry. Volumes remain strong from a level perspective, but with a decelerating rate of change due to underlying base effects. We continue to favor stocks with quality assets and are seeking signs of a sustainable recovery to provide greater conviction in certain names. Oil prices continued to firm, buoyed by expectations demand will recover rapidly in the second half of 2021. Meanwhile, a number of midstream asset sales were announced at valuations above where sellers are trading, highlighting the disconnect between public and private market valuations. We expect Global Transports to benefit from a resurgence in fundamental growth drivers, though the pace of recovery is subject to local re-opening and vaccine rollouts. Select

airports appear attractively valued and accelerating traffic volume should provide support. Toll roads with high-quality assets and visible project pipelines should remain well-bid. U.S. Regulated Utility fundamentals are stable, but disperse business profiles require selective exposure. In Europe, we are concerned in the near-term over mixed utility valuations and uncertain policy measures. We expect select utilities stand to benefit from favorable policy that supports enhancing transmission and electric distribution grids. In addition, we see opportunities for utilities where policy is in place to increase spending on renewable energy projects and electric vehicle charging stations.

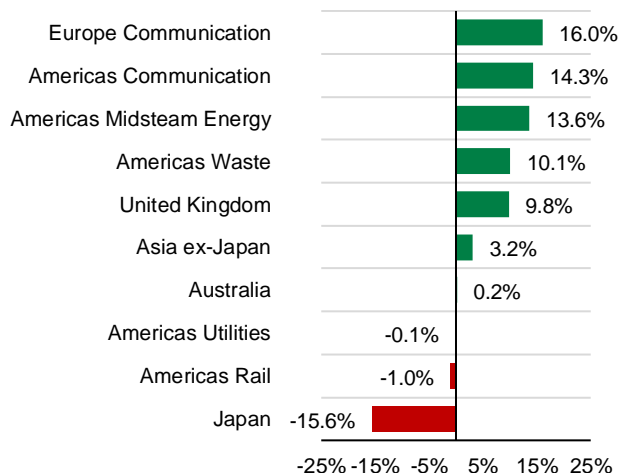
Looking ahead, we expect performance dispersion to continue across companies, regions, and sectors as the global economy regains its footing. We remain positive on improving fundamentals for sectors such as Transports and Energy, which we anticipate to continue to benefit from the re-opening trends; however, we have shifted to a more balanced portfolio profile between re-opening (cyclical) and defensive sub-sectors. In addition, we anticipate broader volatility to offer tactical opportunities for stable names at attractive valuations.

GLOBAL AIRPORT TRAFFIC – PASSENGER REVENUE (\$M)



Sources: Bloomberg, DWS Group. As of 6/30/21.

2Q 2021 TOP & BOTTOM PERFORMING SECTORS



Sources: Bloomberg, DWS Group. As of 6/30/21.

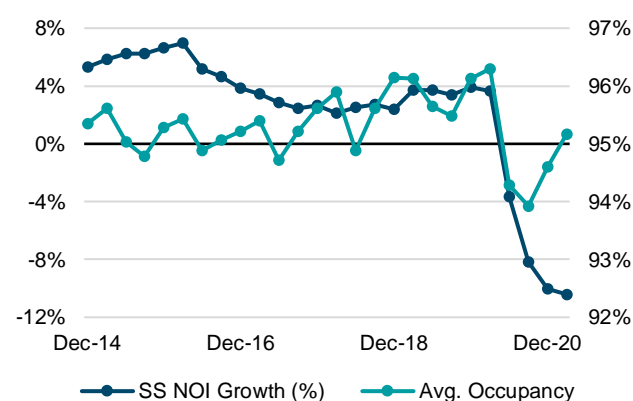
¹ Index = Dow Jones Brookfield Infrastructure Index. As of June 30, 2021

Global Real Estate

We see upside potential in property stocks/sectors that could benefit from pandemic-related relief with near-term growth catalysts as well as those with longer term value.

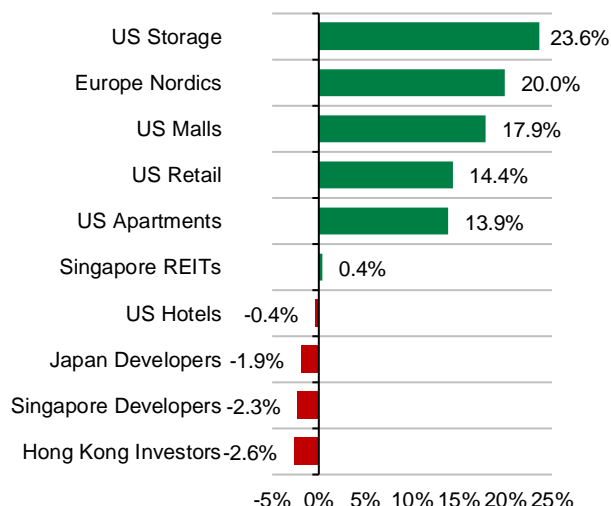
Global real estate securities returned +9.2%² in 2Q, outpacing broader equities. Across the real estate landscape, we remain focused on valuations and the likelihood of cash flows to recover to pre-Covid-19 levels as a framework to assess potential opportunities.

BRIGHTER FUTURE AHEAD FOR U.S. APARTMENTS?



Sources: NAREIT, DWS Group. As of 6/30/21.

2Q 2021 TOP & BOTTOM PERFORMING SECTORS



Sources: Bloomberg, DWS Group. As of 6/30/21

In the U.S., REITs performed well as the economic backdrop shines a light on healthy underlying property market fundamentals and attractive relative valuations. Re-opening and defensive sub-sectors both had their moments over the quarter, as investors responded to macroeconomic data and the Fed. Self-Storage led the way amid high occupancy, rising rental rates, and potential acquisition opportunities. Retail gained on earnings improvement and corporate activity, while Apartments drew support from higher occupancy in coastal markets.

European property stocks also performed well, with gains relatively broad-based. Nordics and Industrial were strong, along with Retail, which benefitted from re-opening activity. Residential dominated headlines on the Continent as Germany's two biggest listed residential property groups agreed to merge in a €18bn deal. Property stocks in the U.K. were similarly well-bid as investors gained confidence in the re-opening of the economy. The smaller, niche property stocks were the standouts during the quarter. The large caps were aided by Industrial and Retail, while performance across the Office sector was mixed.

Across Asia Pacific, concerns over COVID-19 and geopolitical uncertainty are being balanced by undemanding valuations, the potential for post-pandemic recovery, and upside potential in the form of capital management initiatives (i.e. buybacks and privatizations). In Japan, the REITs found support as the local economy recovers and property market fundamentals improve. In Japan, balance sheets across both developers and REITs appear healthy compared to the previous downcycle. Within Australia, we expect ongoing volatility as the re-opening trajectory continues dominate the market.

Longer-term, we believe performance for public (listed) real estate to ultimately be driven by the pricing and fundamentals of their underlying assets. While broader sector-level themes may influence regional property market performance, we believe that stock selection will be the key driver going forward in this market.

² Index = FTSE EPRA/NAREIT Developed Index. As of June 30, 2021

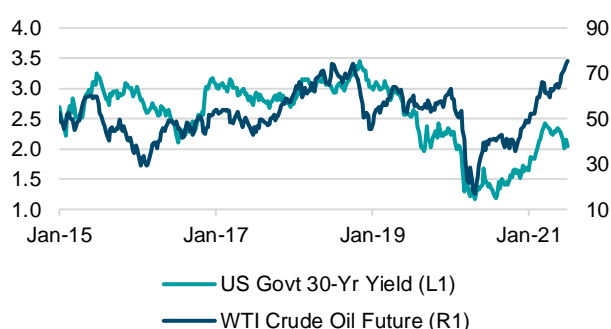
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Commodities

As the world continues to recover, we expect the trend of increasing demand to continue; geo-political risks remain while secular tailwinds may provide longer-term support.

Commodities momentum resumed in 2Q, returning +13.3%³. During the quarter, gains were led by the Energy sector, which rallied in June as investors continued to focus on demand recovery against a positive re-opening backdrop, with mobility trends improving along with Gasoline demand. Meanwhile, on the supply side, the situation for Crude Oil prices remained constructive as OPEC+R policy decisions remained in focus, as well as conflict with Iran over its nuclear development activities.

OIL PRICES & TREASURY YIELDS DISCONNECT

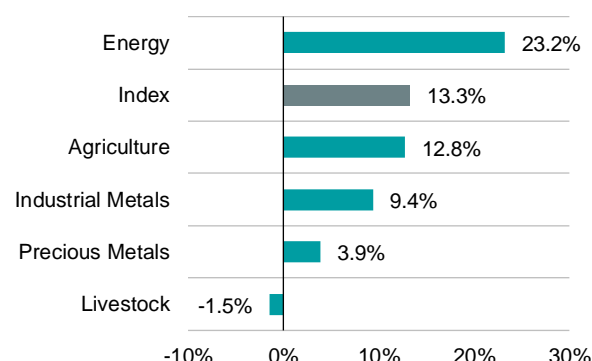


Sources: Bloomberg, DWS Group. As of 6/30/21.

Agricultural commodities also logged solid gains for the quarter despite a pullback across the Grains complex which began in May and continued throughout June. Amongst the top performers across the Agriculture space were Soybean Oil (on surging demand for renewable diesel sources as low-carbon fuel standards take effect) and Coffee, which rallied impressively following a late-May report indicating lower than expected U.S. inventories. Industrial metals were generally well-bid on strong fundamentals despite weakness which emerged in May after Chinese authorities' signaled they would act to control commodity price inflation. Aluminum and Nickel were the standouts, further buoyed after Russia (which accounts for 25% of global Aluminum production) announced plans to impose export taxes on steel and other industrial metals. Precious Metals managed

moderate gains, with Gold largely fluctuating in sync with movements in real yield. In June, Gold reversed the majority of prior-month gains, retracing and eventually finding support near the \$1,800/oz level. Investors remained cautious ahead of the June FOMC meeting, with Gold ultimately selling off in response to FOMC meeting minutes suggesting rate hikes as early as 2023 and initiating talk of tapering. Finally, Livestock posted losses to end another markedly volatile review period.

2Q 2021 SECTOR PERFORMANCE



Sources: Bloomberg, DWS Group. As of 6/30/21.

Looking ahead, within the Energy sector, we expect positive developments within OPEC+R to help balance oil supply to meet increased recovery-driven demand while heightened uncertainty warrants selective exposure across Industrial Metals. We expect that Agriculture prices will remain volatile, subject to changing weather patterns. More broadly, we expect commodity prices to continue to rise over the next 1-2 years. Demand has recovered significantly since the depth of COVID-19 last year. While geopolitical events remain a risk for the asset class, prospects for higher inflation are providing support. Fundamentally, we believe that most commodities will have limited growth of supply. As such, in the absence of material global demand destruction, we expect supply/demand fundamentals to improve across the Commodities space over the long-term.

³ Index = Bloomberg Commodity Index. As of June 30, 2021.

Natural Resource Equities

Near-term, we believe current macroeconomic conditions warrant selective exposure across sub-sectors.

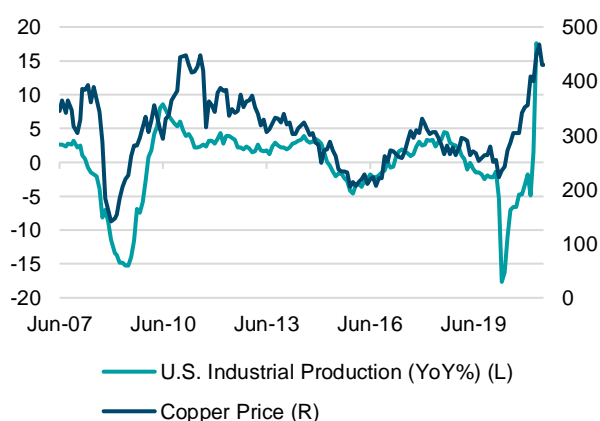
Natural Resource Equities posted solid gains during the second quarter, posting a +7.1%⁴ return as strength was broad based, with Metals and Energy names leading the way followed by Agriculture.

The large return for Commodities during Q2 reflected the one-time impact of the economic re-opening. Going forward, the rate of increase is likely to moderate to reflect trend growth by next year. Equity pricing currently reflects the market's expectation of the present value of future growth, as well as the immediate demand increase reflected in Commodities prices this quarter. Thus far, investment for additional capacity across the complex has been only moderate as investors encourage Natural Resource companies to pay out positive cashflow via dividends or stock buy-backs. For Base Metals producers, we expect strength to continue due to supply constraints from reduced capital spending. We retain a positive view on iron ore and steel in this environment. Precious Metals & Mining companies are likely to see mixed performance in the near-term. For the time being, investors are likely to remain on the sidelines while they await upcoming inflation data and the potential start of taper talks. The Federal Reserve's (Fed) plan to remove monetary support will be a negative headwind for Gold prices, as demonstrated by the market's reaction after the last Fed meeting. For Energy companies,

we remain on the lookout for tactical opportunities across the space. Longer-term, we have confidence in the economic recovery, even though it may not be smooth, and maintain our positive outlook for Crude Oil. In the United States, exploration & production firms continue to limit capital spending investment, drawing down existing inventory to maintain supply and continuing to focus on providing dividend yield for investors. Finally, within Agriculture, Agricultural Products and Agricultural Chemicals names appear well-positioned to benefit from elevated crop prices, with notable strength in the potash market (used in fertilizers). Meanwhile, the outlook for the North American Paper & Forestry sector appears less certain as we enter the second half of 2021. Strong growth expectations and increased spending from manufacturers and consumers is being balanced by persistent supply chain disruptions.

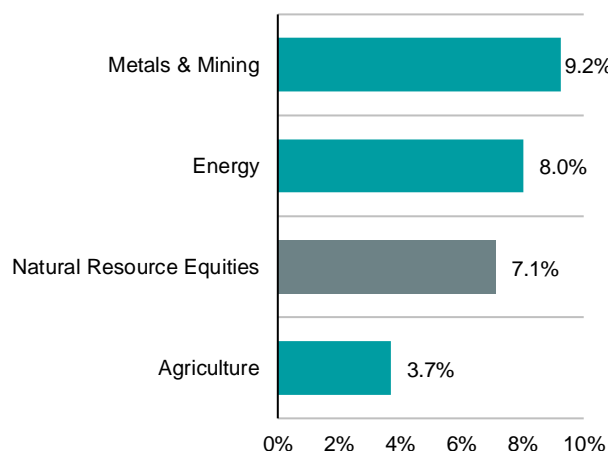
Looking ahead, we continue to expect natural resources companies to focus on investor's preference for dividend yield rather than capex as the primary driver for allocating free cash flow. As we enter the third quarter, we believe that stock selection will be critical in this environment across all Natural Resources sub-sectors. We remain focused on names with visible growth catalysts, as well as shorter-term tactical opportunities across the space.

ECONOMIC EXPANSION RISKS– PEAK PRODUCTION?



Sources: Bloomberg, DWS Group. As of 6/30/21.

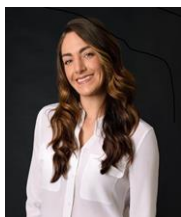
2Q 2021 SECTOR PERFORMANCE



Sources: Bloomberg, DWS Group. As of 6/30/21.

⁴ Index = S&P Global Natural Resources Index. As of June 30, 2021.

The authors



Annie Del Giudice

Liquid Real Assets Portfolio Specialist

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