Investing in the Foundations of Tomorrow’s Economy

Franklin Templeton · 2026-08-25 · English original

Executive Summary

Every investment era has an organizing belief. The last one favored efficiency: global supply chains, lean inventories, low-cost capital and businesses that could scale without owning much of the physical world. The next one is likely to favor resilience: secure inputs, reliable power, durable infrastructure, strategic locations and assets that keep economies functioning under stress.

Several forces are driving that shift. Geopolitical fragmentation is pushing countries and companies to regionalize supply chains and secure critical inputs. Domestic political pressure is increasing the role of the state in industrial policy, defense, housing, energy and infrastructure. Climate change is turning adaptation into a capital-allocation requirement. Artificial intelligence (AI) and electrification are exposing the physical constraints behind digital growth, particularly power, grid capacity, land, water and logistics. At the same time, elevated public and private debt burdens limit the flexibility of governments and markets just as investment needs are rising.

Together, these forces point in the same direction: The future is likely to be more physical, more local, more power-intensive, more infrastructure-dependent and more exposed to scarcity. For investors, the opportunity is not simply to own “hard assets.” It is to identify the assets that sit inside essential economic systems and help those systems function under stress.

We describe this as systems-led investing. It starts with the systems under pressure—energy, data, housing, logistics, food, water, natural resources and social infrastructure—but moves quickly to the investment question: Which assets are scarce, essential and capable of improving system resilience? In this environment, real assets are not peripheral allocations. They are increasingly the physical foundations of economic resilience.

Franklin Real Assets brings together capabilities across infrastructure and functional real estate, enabling investors to access these opportunities through public markets, partnered private strategies and direct private investments. As the world moves from efficiency to resilience, many of the most important opportunities are likely to be found in the assets that make tomorrow’s economy possible.

What Makes Growth Possible

The defining investment question of the next decade will not simply be where growth occurs. It will be what enables that growth.

Across energy, data, housing, logistics, food, water and natural resources, the assets that make economies function are becoming increasingly valuable. This is not because the world has abandoned innovation or digital growth. It is because innovation and growth increasingly depend on physical capacity, secure inputs, resilient systems and disciplined capital formation.

Taken together, the forces reshaping the global economy point toward the same conclusion: The future is likely to be more physical, more local, more power-intensive, more infrastructure-dependent and more exposed to scarcity. Investors who understand that shift may be better positioned to identify where capital is needed and where value may accrue.

Franklin Real Assets provides investors with access to these opportunities through a broad platform spanning public markets, partnered private strategies and direct private investments across the real-asset landscape. The objective is not simply to gain exposure to the real-asset class but to invest in the essential systems that underpin economic growth, resilience and the functioning of modern society. As the world shifts from prioritizing efficiency to placing greater emphasis on resilience, many of the most significant investment opportunities may be found in the assets that secure essential flows, relieve critical bottlenecks and provide the foundations for tomorrow's economy.

All investments involve risks, including possible loss of principal.

Equity securities are subject to price fluctuation and possible loss of principal.

Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks.

Diversification does not guarantee profit or protect against risk of loss.

Investment strategies which incorporate the identification of thematic investment opportunities, and their performance, may be negatively impacted if the investment manager does not correctly identify such opportunities or if the theme develops in an unexpected manner. Focusing investments in the health care, information technology (IT) and/or technology-related industries carries much greater risks of adverse developments and price movements in such industries than a strategy that invests in a wider variety of industries.

An investment in private market investments is suitable only for investors who can bear the risks associated with them (such as private credit and private equity) with potential limited liquidity. Shares will not be listed on a public exchange, and no secondary market is expected to develop.

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