



# Commodity Fund

## Market context

For decades, the global economy operated under a rules-based system defined by globalisation, free trade and just-in-time inventory management. Production migrated to the lowest-cost regions, efficiencies were maximised and consumers benefitted from lower prices. That world is rapidly changing.

Geopolitical fragmentation is replacing global integration, and national security considerations are reshaping how and where goods are produced. Government and corporate priorities around security of supply and strategic stockpiling are distorting traditional supply-and-demand dynamics, lifting apparent demand for critical commodities above normal levels.

Overlay this with more than a decade of aggressive fiscal and monetary stimulus, and global debt levels have ballooned. As a result, fiat currencies are being debased, and confidence in the long-term purchasing power of money has weakened. Against this backdrop, gold, commodities and other hard assets are increasingly being incorporated into investment portfolios to preserve wealth in a world where governments are more likely to inflate away debt than repay it.

This environment has been especially supportive for precious metals, which delivered an exceptional year capped by strong gains in the fourth quarter (Q4). Gold rose 12% in Q4 to US\$4,320 per troy ounce, taking its annual gain to almost 65% - the strongest performance since the 1970s. Silver outshone gold, surging 53% over the quarter and more than 140% in 2025. Platinum and palladium both gained more than 28% during the quarter. The listing of the platinum and palladium futures on the Guangzhou Futures Exchange has been supportive for prices so far and should improve liquidity and demand from China.

Copper also had a strong quarter, gaining 21% and reaching a record high above US\$12,000 per tonne in December, finishing 2025 more than 40% higher than at the start of the year. This was primarily driven by supply disruptions at major mines, alongside structural demand from its widespread use in electrification and AI infrastructure.

Iron ore posted a 9% gain for the year, with prices remaining resilient around \$105 per tonne, defying the bearish consensus view. Energy markets were the clear laggards. Brent crude ended the year around US\$61 per barrel, down 9% over Q4 and 18% year-on-year as markets remained oversupplied. US natural gas prices rallied in the quarter due to a combination of colder weather forecasts, which increased heating demand, and record-high liquefied natural gas (LNG) exports, which tightened domestic supply.

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## Performance

The portfolio benefitted from these themes, delivering an absolute return of 9.3% in Q4 and a strong one-year return of 96.7% in 2025 (net of fees).

Our investment process is well-suited to the resources sector, where traditional valuation approaches often fall short. Rather than relying on target prices, we focus on identifying companies with upward revisions to earnings expectations that trade at reasonable relative valuations. This discipline has allowed us to capture momentum in gold and platinum group metals (PGM) miners, while avoiding value traps elsewhere in the market, such as paper and packaging shares.

Over the quarter, our large PGM positions in Valterra Platinum, Impala Platinum, Northam Platinum and Sibanye-Stillwater contributed positively to performance, benefitting from higher PGM basket prices. This was complemented by our high allocation to AngloGold Ashanti, which rose in line with gains in the gold price.

Conversely, our allocation to Gold Fields detracted from performance as the 0.5% gain significantly lagged the gold price. The market was disappointed by the company's capital markets day, which indicated higher capital expenditure over the next five years to increase reserves and improve operational efficiencies. We believe this investment will ultimately result in improved asset quality, with sustainably higher production and unit cost benefits realised towards the end of the decade.

Underweight positions in BHP and Sasol also supported performance, as these shares lagged the precious metals rally.

## Outlook and positioning

We believe the gold price is being driven by structural forces rather than speculative excess. Central banks – particularly in emerging markets – and investors continue to accumulate gold, reflecting declining confidence in fiat currencies. While periods of consolidation are inevitable following a strong rally, the prospect of further interest rate cuts reduces the opportunity cost of holding gold, while widening fiscal deficits reinforce its role as a store of value. We maintain high allocations to AngloGold, Gold Fields and Harmony Gold, where our earnings expectations remain above consensus, supported by operational improvements and elevated gold prices.

PGMs remain one of the most misunderstood segments of the commodity market. Only a few years ago, the dominant narrative held that rapid adoption of battery electric vehicles (BEVs) would render PGMs obsolete. That thesis has steadily unravelled. Demand – particularly from the automotive sector – is proving far more resilient than expected, supported by slower-than-anticipated BEV adoption (ex-China), a recovery in global vehicle production and tighter emissions standards still to come.

Meanwhile, the supply side has deteriorated significantly due to years of underinvestment, ageing mining assets, and secondary supply falling well short of expectations. Fundamental supply-and-demand dynamics point to deficits in platinum and rhodium, and to a lesser extent palladium, which should continue to support prices. We maintain a healthy allocation to PGMs, as the rapidly rising PGM basket price lifts our earnings forecasts well above consensus expectations.

Copper is likely to be the metal that powers the future, and its strategic importance continues to grow. Electrification, renewable energy, BEVs, and the rapid expansion of data centres all require copper in volumes far exceeding previous demand cycles. Yet the supply response has been underwhelming. Major mines face declining grades, operational disruptions and persistent project delays, while new supply is constrained by long permitting timelines and rising capital intensity. We believe copper deficits are likely to emerge sooner and be larger than consensus expectations.

We hold large positions in Anglo American and Glencore. Anglo American owns large-scale, high-quality copper assets, with ongoing portfolio optimisation increasing copper's contribution to group earnings. We remain constructive on the announced merger between Anglo American and Teck Resources, which we believe will unlock significant synergies across their neighbouring copper assets through shared infrastructure, creating a global copper leader. Glencore also has meaningful copper exposure and a strong pipeline of copper growth projects, which could enhance valuation and make the company an acquisition target. At current spot commodity prices – mainly due to higher copper and coal prices – we forecast material earnings upgrades for both Anglo American and Glencore.

This is not a uniform commodity bull market. Bulk commodities such as iron ore face structural headwinds from declining Chinese steel production. Oil fundamentals are more nuanced. Near-term supply growth from both OPEC and non-OPEC producers appears set to outpace muted demand growth over the next twelve months. However, persistent geopolitical risks in key producing regions, including Russia, Iran, and Venezuela, mean supply disruptions remain a meaningful upside risk to current prices. We maintain no exposure to Sasol and BHP, which screen less favourably on our earnings forecasts relative to consensus expectations.

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