Broaden commodity exposure

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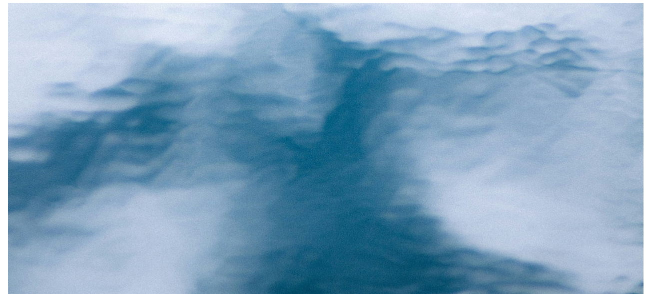
- **Why?** 1) Broader commodity exposure can offer better return potential and risk protection than relying on gold alone. 2) Commodities can help diversify portfolios and protect against supply shocks, geopolitical stress, and inflation spillovers. 3) Structural demand from AI infrastructure, electrification, and the energy transition supports a positive long-term case for industrial metals.
- **Why now?** 1) Gold's momentum has slowed and near-term upside may be more limited, making this a timely moment to broaden exposure beyond traditional safe havens. 2) Despite the US-Iran agreement, low inventories and uncertainty around shipping conditions keep energy markets sensitive to renewed supply disruptions. 3) Near-term catalysts across agriculture and industrial metals strengthen the case for broader exposure today, with El Niño-related risks supporting agriculture and AI-linked demand keeping metals resilient.



With gold upside more limited, a broader, actively managed commodities allocation can help investors tap a wider range of return drivers and strengthen portfolio resilience. Source: Maxim Maksimenko_Unsplash

Diversify with broad commodities

We believe broad commodity exposure offers an attractive mix of diversification and growth potential. Commodities offer a valuable hedge against inflation and supply shocks, and their typically low correlation with equities and bonds makes them an effective portfolio diversifier, especially in periods of market stress. With US-Iran tensions cooling, restoring still-restricted flows in the Strait of Hormuz will take time, while lingering geopolitical uncertainty, structural demand trends such as electrification, and a looming El Niño for agriculture all support the case for maintaining exposure.

Gold

Gold's momentum has slowed in recent weeks, with its "safe-haven" appeal offset by stronger-than-expected US economic data, higher real yields, a firmer USD, and more hawkish market expectations for the Fed outlook. The move in prices mirrors the spike-and-consolidation pattern seen in past geopolitical crises, though gold also entered this period with elevated valuations and dovish Fed expectations as tailwinds, making it more sensitive now to macro drivers. Looking ahead, we believe central bank demand, continued diversification away from the US dollar, and global debt concerns will remain important structural supports. While the near-term backdrop looks skewed toward consolidation, positioning does not appear stretched, and we remain constructive over the next 12 months.

Energy

The June US-Iran agreement has reduced immediate concerns over a prolonged disruption in the Strait of Hormuz, but uncertainty over how quickly shipping and insurance conditions can normalize is likely to keep energy markets sensitive. Crude oil product inventories remain low in a number of economies and are likely to fall further in the near term, which could require higher prices to ration demand before stocks are rebuilt. Any renewed friction or delay in restoring flows through Hormuz could add upside risk. In our view, energy exposure can still help protect against lingering supply uncertainty and inflation spillovers,

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even as the immediate geopolitical backdrop continues to improve. We continue to expect prices to move higher.

Industrial metals

They have benefited from secular demand drivers such as electrification, the energy transition, and the ongoing global buildout of AI infrastructure. Prices have remained resilient despite global growth worries. The June US-Iran agreement to reopen the Strait of Hormuz could help ease some supply constraints, though other drivers like tariffs and trade policy risks may keep prices volatile in the near term. Over the longer term, demand trends remain con-structive for the asset class.

Global asset class preferences definitions
The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.
Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities
Note: For equities, we have a five-tier rating system with two additional preferences
Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.
When equities are included with the other asset classes in the three-tier rating system, we collapse “Most Attractive” with “Attractive” and “Least Attractive” with “Unattractive.”

Appendix

Risk information
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