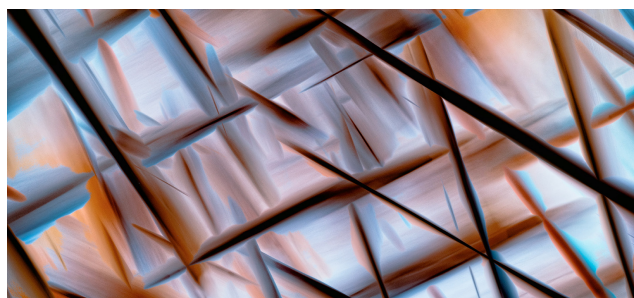


Position for a commodity upcycle

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- **Why?** 1) Commodities have historically exhibited low correlations with equities and bonds, offering a differentiated source of return in portfolios. 2) Commodities can help 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 prices have climbed higher in August, giving investors with significant holdings an opportunity to broaden commodity exposure beyond traditional "safe-haven" assets. 2) The still unresolved conflict between the US and Iran underscores the importance of energy exposure, while a recovery in production may take longer than expected. 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.



Diversified commodity exposure can support long-term returns and portfolio resilience amid inflation, energy disruptions, and structural demand from electrification and AI. Source: Robert Clark_Unsplash

Position for commodity upside

We believe commodities can provide both a structural source of return and portfolio protection in scenarios where higher inflation expectations challenge equities and bonds. While commodities have historically offered valuable diversification benefits due to their relatively low correlation with traditional asset classes, we also see a supportive longer-term backdrop driven by electrification, rising power demand, AI infrastructure investment, and supply constraints across several markets. In our view, investors should maintain diversified exposure across precious metals, energy, industrial metals, and agriculture to capture a broad range of opportunities. Given fast-shifting leadership within commodity markets, we think an actively managed approach can help investors navigate the commodity upcycle.

Gold

Gold has resumed its upward trend as US inflation concerns have ebbed, and markets have reined in expectations for near-term Federal Reserve rate hikes. Looking ahead,

however, we believe central bank demand, continued diversification away from the US dollar, and global debt concerns will remain important structural supports. For investors with substantial gains following the strong rally over the past year, higher prices may provide an opportunity to rebalance some exposure into other commodity sectors. We continue to view gold as a useful strategic diversifier, and we remain constructive on gold prices over the next 12 months.

Energy

The ongoing conflict between the US and Iran highlights the fluid nature of geopolitical events and how they can impact energy. With crude supply remaining restricted and both sides facing constraints in reaching a compromise, uncertainty over how quickly shipping conditions and production will normalize is likely to keep energy markets sensitive. In our view, energy exposure can help protect against lingering supply uncertainty and inflation spillovers, while robust demand supports a constructive medium-term outlook.

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Industrial metals

Industrial metals, such as copper, 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 periodic global economic growth worries. While factors like tariffs and trade policy risks may keep prices volatile in the near term, demand trends remain constructive for the asset class over the longer term. In copper specifically, supply constraints and projected market deficits reinforce our positive longer-term outlook.

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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