Commodities Are Inexpensive, but No One Owns Them

Investors have spent three decades deciding commodities aren't worth owning. The math on that decision has changed.

Key Takeaways

- Commodities have pulled in $188 billion since 1997. Equities pulled in $1.1 trillion. Bonds pulled in $5.3 trillion.
- Real assets add diversification to portfolios, relative to stocks and bonds.
- Versus U.S. stocks, commodities are trading near their cheapest levels since the 1970s.

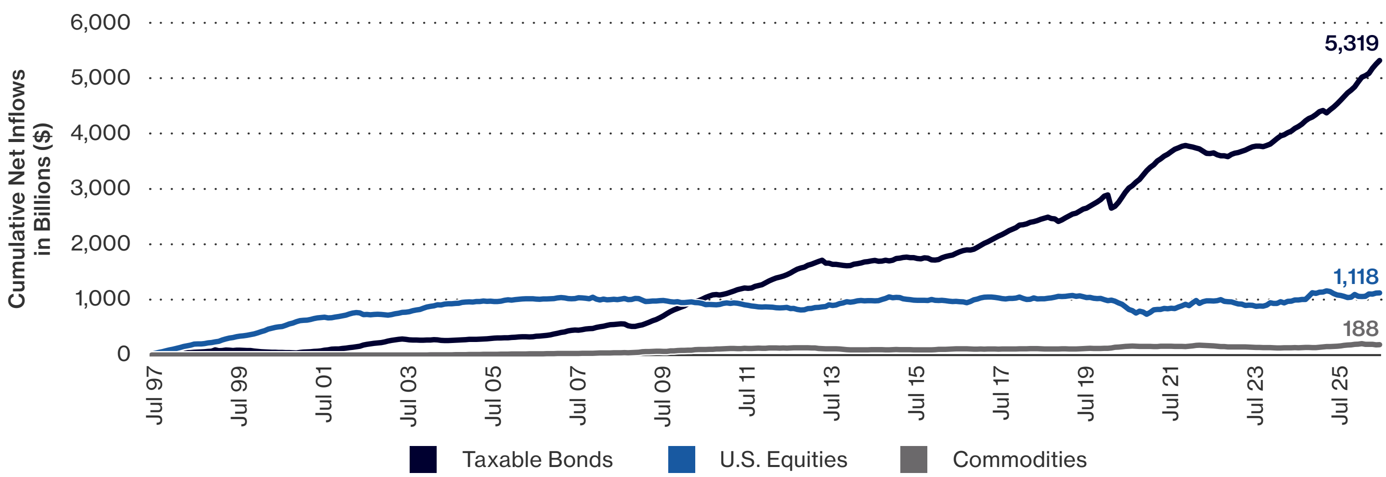
Three Decades of Skipping Commodity Allocations

Since 1997, U.S. commodity funds have attracted about $188 billion in cumulative net flows. Equity funds attracted roughly $1.1 trillion. Bond funds attracted roughly $5.3 trillion.

Commodity allocations have never exceeded about 2% of fund assets. Today they sit below 1%.

Exhibit 1: Commodities Have Been Chronically Under-Owned

U.S. Fund Category Cumulative Net Flows



Source: Morningstar. Data as of June 2026.

Allocations to commodities have never topped 2% of assets, and sit below 1% today. And, versus U.S. stocks, commodities are trading near their lowest levels in decades.

Diversification Is The Name Of The Game

Diversification is the name of the game for asset allocators.

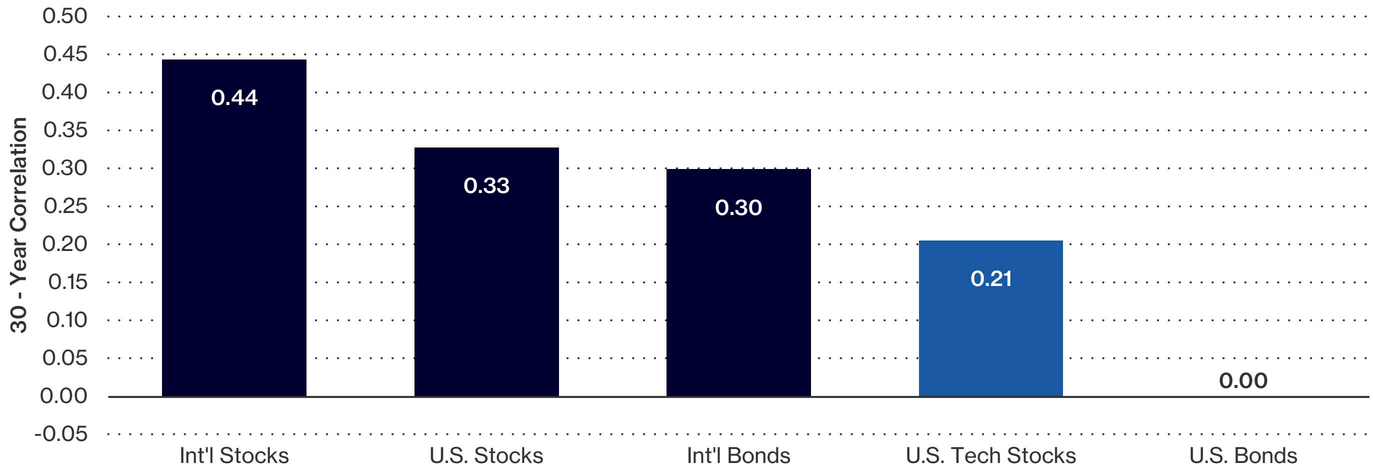
Over the past 30 years, commodities have shown almost zero correlation to bonds and very low correlation to stocks.

The more useful number sits one row over. Commodities correlate just 0.21 to the S&P 500 Technology Sector, lower than to the broad index itself.

That matters because of where portfolios actually sit today. Investors are heavily exposed to U.S. technology whether they chose to be or not. Look at the S&P 500. Real asset exposure, we believe, offers a return profile genuinely differentiated from that concentration rather than a slightly diluted version of it.

Exhibit 2: Commodities Add Low Correlation and Diversification

Commodities: 30-Year Correlation vs. Equities and Bonds



Source: Morningstar. Data as of June 30, 2026. "Commodities" = Bloomberg Commodity Index; "Int'l Bonds" = Bloomberg Global Aggregate ex. USD Index; "Int'l Stocks" = MSCI World ex. USA Index; "U.S. Stocks" = S&P 500 Index; "U.S. Bonds" = Bloomberg U.S. Aggregate Bond Index; "U.S. Tech Stocks" = S&P 500 Technology Sector Index. Past performance not indicative of future results. Index descriptions included at the end of this presentation.

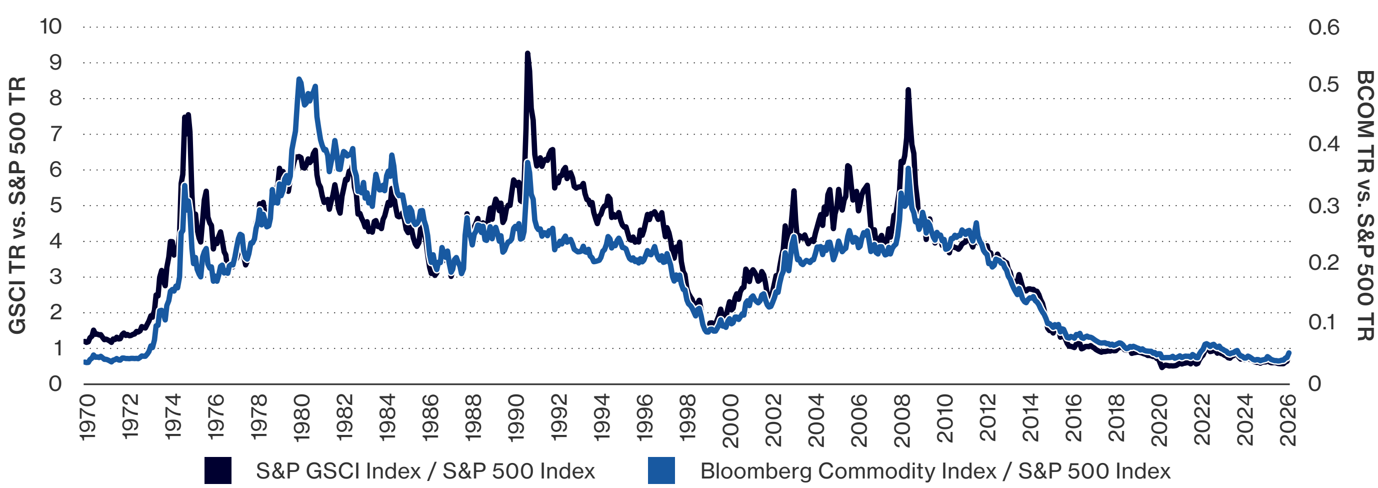
Now Is a Good Entry Point, From a Value Perspective

The case for allocating to real assets isn't only a just a diversification story.

Versus U.S. Stocks, commodities are trading near their cheapest levels since the 1970s. Comparable extremes have historically preceded commodity outperformance, as supply tightens and prices revert to the mean.

Exhibit 3: Commodities Remain Historically Cheap vs. Stocks

Total Return Price Ratio - Commodities vs. U.S. Stocks



Source: VanEck, Bloomberg Data as of June 2026. Past performance not indicative of future results. Index descriptions included at the end of this commentary.

How Much to Allocate to Real Assets?

We believe investors should consider 10%, funded evenly from both sides, turning a traditional 60/40 into 55/35/10. Sourcing it entirely from bonds is the more common approach, but if the reason to own real assets is that stocks and bonds have started moving together, then both sides of the pair should give up some ground. Ten percent isn't enough to rescue a portfolio or to wreck one, and that's the point: zero is a position too, and it's a bet we wouldn't make with an entire portfolio.

Important Disclosures

Index Definitions

Bloomberg Commodity Index: a broadly diversified index that tracks the performance of futures contracts on physical commodities across energy, metals, agriculture and livestock, weighted to limit concentration in any single commodity or sector.

Bloomberg Global Aggregate ex USD Index: a measure of investment grade debt from developed and emerging markets outside the United States, including treasury, government-related, corporate and securitized fixed rate bonds.

Bloomberg U.S. Aggregate Bond Index: a measure of the U.S. dollar-denominated, investment grade, taxable bond market, including treasuries, government-related and corporate securities, and securitized debt.

MSCI World ex USA Index: a free float-adjusted market capitalization index that measures equity market performance of developed markets excluding the United States.

S&P 500 Index: a market capitalization-weighted index of 500 leading publicly traded U.S. companies, widely regarded as a gauge of large cap U.S. equities.

S&P 500 Technology Sector Index: a subset of the S&P 500 Index comprising those constituents classified within the information technology sector under the Global Industry Classification Standard.

S&P GSCI Index: a production-weighted index of principal physical commodity futures contracts, designed to measure investment performance in the commodity markets.

Index returns are not Fund returns and do not reflect any management fees or brokerage expenses. Certain indices may take into account withholding taxes. Investors can not invest directly in the Index. Returns for actual Fund investors may differ from what is shown because of differences in timing, the amount invested and fees and expenses. Index returns assume that dividends have been reinvested.

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