

Monthly commentary / 31.12.2025

Vontobel Fund – Non-Food Commodity

Marketing document for institutional investors in: AT, CH, DE, ES, FI, GB, IT, LI, LU, NL, NO, PT, SE.

Summary

- Precious metals stole the spotlight in 2025.
- Copper rallied on strong US copper imports amid tariff concerns.
- Crude oil lagged due to healthy supply growth and inventory builds.

Market developments

Most financial assets showed strong performances in 2025, including commodities. The Bloomberg Commodity TR Index (BCOMTR) gained 15.77% over the year, supported by decent global economic growth, ongoing optimism around artificial intelligence (AI), continued central bank interest-rate cuts, and a weaker US dollar. However, annual BCOM performance was driven predominantly by a stellar performance of metals, particularly precious metals (+72.8%) and base metals (+16.4%), but also livestock (+17.7%), while oil (-8%), natural gas (-27%), grains (-10%), and softs (-1.4%) showed negative performances. In December, the BCOMTR Index was flat (-0.3%) after four consecutive months of strong gains. However, monthly performance drivers mirrored those seen over the year. Metals (precious +7.8%, base metals +6.1%) and livestock (+5.9%) outperformed, while oil (-3.4%), natural gas (-20.4%), grains (-5.3%), and softs (-4.6%) underperformed. Investor attention in December was focused on the US Federal Reserve (Fed), which delivered its third consecutive rate cut, as widely expected. While the median dot plot pointed to only one additional cut in 2026, Chair Jerome Powell emphasized the recent rise in unemployment and downplayed upside inflation risks. This dovish tone weighed on the US dollar and provided additional support for metals. While global manufacturing PMIs eased modestly, they remained in expansionary territory. Chinese economic data came in weaker, highlighting the ongoing theme of strong exports but weak domestic momentum, though expectations for further policy support persist.

Precious metals once again stole the spotlight in December, capping a year of exceptional performance in 2025. They were the dominant contributors to the strong BCOM performance. Gold prices (all performance figures refer to BCOM subindices, such as the BCOMGC Index) rose +56%, while silver (+129%) and platinum (+115%) delivered triple-digits gains over the year. While solid fundamental arguments support elevated gold prices, silver prices at around USD 75 per ounce are more difficult to justify on fundamental grounds. Thin liquidity during the holiday period amplified volatility across precious metals, with platinum and palladium experiencing daily price swings of 10–15% in both directions. The December rally was largely driven by Asian buying interest,

which appeared more speculative rather than physically or fundamentally motivated. At extreme price levels, commodities typically trigger demand or supply responses. In the case of silver, demand destruction, especially in industrial applications such as the solar sector, is likely to intensify, as silver's share of total solar module selling prices has risen to nearly 20%.

Industrial metals also delivered a surprisingly strong performance in December (+6.1%) and over the full year 2025 (+16.4%). Copper was the primary driver, gaining 33% over the year and 7.8% in December. Following an eventful year marked by significant mine supply disruptions, inventory distortions linked to tariff concerns, and robust demand, particularly in the first half of the year, there was little new fundamental news to justify copper's latest leg higher in the fourth quarter. Instead, the move appeared to be driven largely by broadly positive sentiment across the metals complex, increased risk appetite, and the continued absorption of surplus copper units by the US (due to the positive COMEX/LME arbitrage). At the same time, signs of demand destruction are emerging, with China reportedly scaling back copper purchases at current record price levels. However, amid year-end euphoria in metals markets, these fundamental considerations took a back seat. We expect them to move back into focus as the new year unfolds. Another base metal worth highlighting is nickel. Prices trended lower for much of the year amid persistent global oversupply. The key supply-side risk has been potential intervention by Indonesia (responsible for some 60% of global nickel supply) to tighten the market and prevent further price deterioration, which makes it a key supply risk. In December, the government announced plans to restrict new mining licenses in 2026, triggering a 12% price increase. Following these developments, we closed our short position. All other base metals were slightly positive in December. Natural gas prices reversed sharply after a strong rally in November and the first week of December, ending the month down -20%. The US weather outlook shifted materially, moving from expectations of prolonged cold conditions in the eastern US to seasonally warmer temperatures nationwide during the second half of December and into January. At the same time, higher prices earlier in the period incentivized increased

production, adding further pressure on the gas market. The fund's bearish positioning benefited from this move.

Portfolio review

In December, the cross-sectional model significantly reduced the overweight to the energy sector, ending the month with an overweight of +6.13% versus the benchmark. The largest overweight positions have remained in oil products. However, the carry factor decreased last month due to less backwardation in the curve while the value factor increased its contribution slightly. The model closed its underweight in crude oil to +0.68%, on the basis of increasing roll yields captured by the value factor and the attractive carry. Further, the model increased the underweight in natural gas, bringing the relative weight to -13.26% by month-end, driven by a continued decrease in roll yields caused by the seasonal shift.

Regarding industrial metals, the model significantly increased the positioning to +10.20% compared to the benchmark. The largest overweight positions were in lead (+4.61%), zinc (+4.45%) and nickel (+4.34%). The main driver for lead and nickel came from a less negative contribution of the carry factor and a stable positive contribution from price momentum. For zinc, the momentum factor added positive weight last month, in addition to the positive carry factor resulting from the inverted LME curve. In addition, the model reduced the underweight in copper (-3.75%) and aluminum (+0.55%) as the carry factor reduced the negative contribution due to a flattening of the curve.

The model kept its underweight in precious metals ending at -17.22% vs the benchmark, which was mainly driven by the negative contributions from carry (contango leading to negative roll yields) and value (strong price rallies leading to overvaluation). The model still underweights gold (-24.41%) and silver (-8.27%) while keeping the positive allocations in the off-benchmark positions palladium (+8.38%) and platinum (+7.09%).

Performance analysis

In December, the Vontobel Fund – Non-Food Commodity (1 share, USD) gained +1.63% and the Bloomberg Commodity ex-AL Capped TR Index gained +0.62%, leading to an outperformance of +1.01%. The underweight in natural gas, the

overweight in nickel, and the off-benchmark position in palladium and platinum added positively to overall performance. On the other hand, the overweight in oil products, the underweight in natural gas, copper, gold, and silver were the biggest drags on performance.

Outlook

The outlook for commodities in 2026 appears constructive, supported by expectations of continued US dollar weakness and further central bank rate cuts. At the same time, fiscal stimulus is likely to increase in the US and China, while higher defense spending in Europe is poised to provide an additional demand tailwind.

Within metals, we remain cautious about chasing recent rallies, as demand destruction is likely to emerge at record-high prices, particularly for copper and silver. Gold, however, stands apart. We see further upside potential as central banks continue to accumulate gold, with little reason to expect a reversal amid ongoing global fiscal expansion and a lack of credible reserve alternatives (US, Japan, and others). Developments in Venezuela also appear supportive: regime displacement by the issuer of the world's reserve currency is unlikely to enhance capital inflows, reinforcing the shift away from the US dollar and more gold.

For oil, geopolitical risks remain ever-present. There is no clear path toward a peace agreement between Russia and Ukraine, while the US military operation in Venezuela has added another layer of uncertainty. So far, however, market reactions have been muted, reflecting expectations of an oversupplied oil market, particularly in the first quarter of 2026. Even in a worst-case scenario in which Venezuela's entire 0.9 mb/d of production is lost, the anticipated global oversupply of 2–3 mb/d could absorb much of the impact. Looking to the medium term, Venezuelan production is likely to increase, especially if the Trump administration succeeds in incentivizing investment from US oil majors. That said, any recovery in supply is expected to be gradual, requiring significant investment and unfolding over many years.

Fund characteristics

Fund name	Vontobel Fund – Non-Food Commodity
ISIN	LU1106544999
Share class	I USD
Reference index	Bloomberg Commodity ex-Agriculture and Livestock Capped Index TR
Inception date	28.11.2014

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	3.0%	1.0%
YTD	20.2%	23.9%
1 year	20.2%	23.9%
3 yrs p.a.	3.4%	5.7%
5 yrs p.a.	7.5%	12.5%
10 yrs p.a.	5.9%	7.4%
ITD p.a.	1.8%	2.4%

Time period	Fund	Ref. index
2024	1.7%	8.6%
2023	-9.5%	-12.3%
2022	6.8%	18.8%
2021	21.7%	28.6%
2020	1.7%	-10.5%
2019	16.2%	11.7%
2018	-19.5%	-11.4%
2017	5.7%	7.9%
2016	23.0%	18.6%
2015	-25.8%	-28.4%

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