# Global Hard Assets

## *Alternative Investment Strategies*

**First Quarter 2026**

Global Hard Assets invests in hard assets, which we define as tangible commodities, such as a gold bar, a barrel of oil or a ton of coal. The portfolio primarily includes common stocks of companies in the hard assets sector which are directly responsible for mining, extracting or producing the hard assets. The investment approach utilizes a top-down, global market view coupled with bottom-up proprietary research. The portfolio also typically holds various hard asset exchange-traded funds (ETFs), thus giving the portfolio exposure to actual commodities which tend to be less affected by financial market factors. The portfolio's primary investment objective is capital appreciation.

### Market & Strategy Commentary

The Confluence Global Hard Assets strategy was incepted in 2009 to take advantage of geopolitical fracturing, increasing resource nationalism, potential monetary debasement, and the chronic, long-term underinvestment in hard assets needed for sustained GDP growth. Recently, AI data center bottlenecks have highlighted the increasing demand for physical commodities. With a preference for low-cost producers, this strategy invests in companies that mine or extract tangible assets with long supply cycle responses.

The war in Iran began in late February, and this continued geopolitical fracturing has brought energy security back into vogue. Countries need energy and they don't care about what form of hydrocarbons it comes from. At this point in the conflict, there has been a tremendous amount of damage in Iran without resolution. Will the recent ceasefire lead to an end of hostilities? Going forward, will countries pay a toll to the Iranians or Houthis? The longer this conflict continues, the more it will disproportionately impact countries without domestic natural resources. For now, the impact has largely been contained to energy, fertilizer, and specialty chemicals, but production issues from this energy and feedstock supply shock will likely ripple out and expand to other manufactured goods. As US consumers become further stretched, a prolonged shutdown of the Strait of Hormuz could tip the world into a recession.

Furthermore, protracted wars are inflationary, which would not bode well for further interest rate relief. The US dollar strengthened following the announcement of a Federal Reserve chair who was less dovish than other leading candidates, then appreciated further as investors sought a flight to safety upon the outbreak of war. The long end of the Treasury curve lifted as markets expected a less active Fed to stop using its balance sheet to suppress long-term rates. Oddly enough, crude oil prices did not spike as much as they did at the outset of the Ukrainian conflict in 2022.

During the first quarter of 2026, the Confluence Global Hard Assets strategy increased 16.3% (gross of fees). The composite benchmark was up 17.2%, with the S&P Oil & Gas Index up 44.7%, the CRB Commodities Index up 4.7%, the S&P Metals & Mining Index up 4.3%, and the NYSE Gold Miners Index up 6.9%. [*The strategy's net-of-fees return for the same period was 15.4% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary.*]

Despite crude oil prices up over 90%, oil and gas exploration & production (E&P) companies were up only about half as much. Surprisingly, the market was sanguine about the major oil disruptions, with the crude oil market in steep backwardation but modest increases for the six-month futures prices. When the market worried that the US might restrict crude exports, the spread between WTI and Brent spot prices significantly widened before settling into typical historical single-dollar spreads.

With the damage to the Qatar Liquefied Natural Gas (LNG) export facility at Ras Laffan, 20% of the world's export LNG capacity immediately went offline. As natural gas is a more regionally priced commodity, US nat gas prices were largely unaffected at $2.88/MMBtu, while in the Netherlands, the European nat gas price spiked 70% due to their reliance on imports. Similarly, the Japan/South Korea marker (JKM) prices spiked as many east Asian countries are heavily reliant on imported LNG. The current prices are seven times higher than in the US, which will likely incent US E&Ps to realize higher prices by paying for LNG tolling and shipping LNG cargos to Europe and Asia.

These conditions could also further encourage the use of uranium as a more price-stable source of power generation. Uranium spot prices spiked above $100/lb in January before settling in the $80/lb range at the end of the quarter. Utilities are contracting more long-term supplies in the $80 to $90 range, with higher floors and caps at around $130/lb. With growing deregulation, increasing base power needs, and federal incentives for building power nuclear reactors, we expect demand for nuclear energy and, thus, uranium feedstock to grow. As such, the uranium miners were up significantly this quarter. With the greater desire for energy security and crude deliveries becoming more unreliable and prohibitively expensive, the demand for thermal coal continues to grow to combat the lack of LNG spare capacity.

The CRB Commodity Index, currently composed of approximately 41% agriculture-related commodities, was up mid-single digits. The overnight reduction in LNG exports from the Middle East that are used for power generation as well as feedstock in making nitrogen fertilizer, specialty chemicals, and sulfuric acid negatively impacted those end markets. We would expect greater nitrogen input costs to reduce corn acreage planted as farmers substitute with growing soybeans, which have less costly fertilizer requirements.

The S&P Metals & Mining Select Industry Index was up slightly, with base metals underperforming late in the quarter due to concerns of worldwide economic slowdown due to the war. Like other commodities, copper prices spiked in January before settling around $5.50/lb. Base commodities, such as copper and iron ore, were either down or flat. Higher prices of crude oil will negatively impact the base metal miners as diesel fuel and sulfuric acid are material costs of production. Despite a slight increase in copper inventories at the exchanges, supply needs to grow substantially to meet growing demand as the market continues to be in a structural deficit.

Precious metals, specifically gold miners, largely tracked the performance of gold bullion, rising by mid-single digits. Despite usually being a safety asset, gold was down 13% in March as investors used it as a source of liquidity. Spreads between the physical and paper silver markets widened in mid-January, causing silver bullion to spike before steadily drifting down to near-even returns for the quarter. Gold miners are realizing the higher spot prices but typically still use prices in their outlooks well below the current spot price. This provides a margin of safety in case gold bullion prices were to soften.

During the quarter, we sold our silver bullion, platinum bullion, silver miner, and platinum miner positions in order to add to our oil and energy exposures. With the greater need for crude oil, we added price advantaged international E&Ps to increase our exposure to Brent pricing. We also added a domestic nitrogen fertilizer producer that benefits from the Middle East LNG disruptions. To slightly lessen our base metals exposure, we sold one of our six copper miners.

Current sector allocations stand at 30% precious metals, 26% base metals, 39% energy, 3% agricultural minerals, and 2% cash. As evidenced by the Iranian war, the portfolio remains positioned to benefit from significant shifts in geopolitics and the global economy. In an increasingly multipolar and fragmented world, commodity prices and related equities stand to gain. This strategy continues to serve as a strategic alternative investment solution for the evolving global landscape.

## Global Hard Assets • *Alternative Investment Strategies*

### Contribution[1]

***(YTD as of 3/31/2026)***

The portfolio's top contributors and detractors thus far in 2026 are shown in this table:

| Security | Avg Weight (%) | Contribution (%) |
|---|---|---|
| **Top 5** | | |
| First Majestic Silver Corp. | 3.55 | 1.35 |
| Glencore plc | 3.08 | 1.09 |
| Agnico Eagle Mines Ltd. | 5.39 | 1.05 |
| Mitsui & Co. Ltd. | 3.58 | 1.04 |
| Lynas Rare Earths Ltd. | 2.32 | 1.03 |
| **Bottom 5** | | |
| Vulcan Materials Co. | 2.13 | (0.05) |
| Lundin Gold Inc. | 1.92 | (0.14) |
| Antero Resources Corp. | *Sold* | (0.14) |
| Valterra Platinum | 2.08 | (0.27) |
| First Quantum Minerals Ltd. | 3.10 | (0.31) |

*(Contribution data shown from a sample account, based on individual stock performance and portfolio weighting)*

### Performance Composite Returns[2] (For Periods Ending March 31, 2026)

| | Since Inception** | 15-Year* | 10-Year* | 5-Year* | 3-Year* | 1-Year | YTD | QTD |
|---|---|---|---|---|---|---|---|---|
| **Global Hard Assets** *Pure Gross-of-Fees*[3] | 6.4% | 3.6% | 13.5% | 20.9% | 29.3% | 73.0% | 16.3% | 16.3% |
| *Max Net-of-Fees*[4] | 3.2% | 0.5% | 10.2% | 17.3% | 25.5% | 67.9% | 15.4% | 15.4% |
| **Custom Benchmark** | 6.5% | 3.8% | 13.3% | 18.6% | 19.7% | 51.6% | 17.2% | 17.2% |

| Calendar Year | Pure Gross-of-Fees[3] | Max Net-of-Fees[4] | Custom Benchmark | Difference (Gross-Benchmark) | # of Portfolios | Composite Assets (000s) | Total Firm Assets (000s) | Composite 3yr Std Dev | Benchmark 3yr Std Dev | Composite Dispersion |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009** | 14.3% | 13.4% | 10.2% | 4.0% | 1 | $1,660 | $533,832 | N/A | N/A | N/A |
| 2010 | 37.7% | 33.6% | 30.8% | 6.8% | 13 | $6,853 | $751,909 | N/A | N/A | N/A |
| 2011 | (20.4%) | (22.8%) | (10.4%) | (10.0%) | 122 | $24,223 | $937,487 | N/A | N/A | 0.5% |
| 2012 | 5.0% | 1.9% | (0.9%) | 5.9% | 110 | $21,537 | $1,272,265 | 24.9% | 20.4% | 0.4% |
| 2013 | (15.4%) | (18.0%) | (5.8%) | (9.7%) | 92 | $16,831 | $1,955,915 | 22.4% | 18.7% | 0.6% |
| 2014 | (14.0%) | (16.6%) | (17.8%) | 3.7% | 79 | $11,842 | $2,589,024 | 17.1% | 16.1% | 0.3% |
| 2015 | (27.4%) | (29.6%) | (31.5%) | 4.0% | 53 | $5,653 | $3,175,419 | 16.2% | 18.1% | 0.3% |
| 2016 | 23.3% | 19.7% | 52.3% | (29.0%) | 41 | $5,596 | $4,413,659 | 18.6% | 23.5% | 0.3% |
| 2017 | 2.4% | (0.7%) | 5.3% | (3.0%) | 34 | $5,038 | $5,944,479 | 17.0% | 21.4% | 0.2% |
| 2018 | (16.2%) | (18.7%) | (17.2%) | 0.9% | 27 | $3,540 | $5,486,737 | 15.0% | 18.4% | 0.3% |
| 2019 | 12.4% | 9.1% | 7.3% | 5.1% | 25 | $3,644 | $7,044,708 | 14.7% | 15.3% | 0.4% |
| 2020 | 24.4% | 20.7% | 3.8% | 20.5% | 26 | $5,789 | $6,889,798 | 25.9% | 29.6% | 0.2% |
| 2021 | 12.6% | 9.2% | 37.6% | (25.0%) | 31 | $8,187 | $7,761,687 | 26.1% | 29.8% | 0.7% |
| 2022 | 9.3% | 6.0% | 15.9% | (6.6%) | 50 | $11,357 | $6,931,635 | 29.7% | 31.9% | 0.3% |
| 2023 | 10.7% | 7.4% | 6.9% | 3.8% | 52 | $13,193 | $7,200,019 | 23.0% | 20.5% | 0.5% |
| 2024 | 5.2% | 2.1% | 3.0% | 2.3% | 48 | $12,593 | $7,280,773 | 23.1% | 20.1% | 0.5% |
| 2025 | 62.0% | 57.2% | 36.2% | 25.8% | 93 | $30,985 | $6,769,052 | 17.5% | 13.8% | 1.2% |

*Average annualized returns     **Inception is 10/1/2009     *See performance disclosures on last page.*

**Portfolio Benchmark**

***Custom Benchmark*** – Custom benchmark (blended monthly) consists of: CRB Commodity Index 30%, S&P Oil and Gas Exploration and Production 30%, S&P Metals and Mining 25%, NYSE Gold Miners Index 15%. (*Source: Bloomberg*)

## Confluence Global Hard Assets Committee


Mark Keller, CFA

Joe Hanzlik

Bill O'Grady

Patrick Fearon-Hernandez, CFA



**For more information contact a member of our sales team:** (314) 530-6729 or sales@confluenceim.com


*See Territory Map on the Confluence website for sales coverage.*

# Disclosures

**Market & Strategy Commentary—**Information provided in this report is for educational and illustrative purposes only and should not be construed as individualized investment advice or a recommendation. Material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice. Past performance is no guarantee of future results.

Investment or investment services mentioned may not be suitable to an investor and the investor should seek advice from an investment professional, if applicable. It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including possible loss of principal, that investors should be prepared to bear. Equity securities are subject to market risk and may decline in value due to adverse company, industry, or general economic conditions. There can be no assurance that any investment objective will be achieved or that any investment will be profitable or avoid incurring losses.

**Index:** The strategy uses a custom blended benchmark that consists of: CRB Commodity Index 30%, S&P Oil and Gas Exploration and Production 30%, S&P Metals and Mining 25%, NYSE Gold Miners Index 15%; it is shown as additional information. Indexes are unmanaged. An investor cannot invest directly in an index. The benchmark is shown for illustrative purposes only and does not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

[1] **Contribution—**Table showing the top 5 contributors/detractors reflects the strategy's best and worst performers (net), based on each holding's contribution to the sample account for the period stated. Individual holding performance and contribution methodology can be obtained by contacting Confluence.

[2] **Performance Composite Returns—Confluence Investment Management LLC claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Confluence Investment Management LLC has been independently verified for the periods August 1, 2008, through December 31, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards.**

Verification provides assurance on whether the firm's policies and procedures related to composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The Global Hard Assets strategy was incepted on October 1, 2009, and the current Global Hard Assets Composite was created on October 1, 2009. Confluence Investment Management LLC is an independent registered investment adviser. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of all fees and include the reinvestment of all income.

[3] Pure gross returns are shown as supplemental information to the disclosures required by the GIPS® standards.

[4] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.60% on the first $500,000; 0.55% on the next $500,000; and 0.50% over $1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. The annual composite dispersion is an equal-weighted standard deviation, using gross-of-fee returns, calculated for the accounts in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns over the preceding 36-month period. The Global Hard Assets Composite contains fully discretionary Global Hard Assets wrap accounts. The Global Hard Assets portfolio is focused on investments in hard assets which are defined as tangible commodities, such as a gold bar, a barrel of oil or a ton of coal. The portfolio comprises common stocks of companies in the hard assets sector and hard asset ETFs which give the portfolio exposure to actual commodities.

**Results shown for the year 2009 represent partial period performance from October 1, 2009, through December 31, 2009. N/A-Composite Dispersion: Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. N/A-3yr Std Dev: Composite does not have 3 years of monthly performance history.

*Global Hard Assets includes securities and asset classes that typically have greater price volatility. Global Hard Assets is subject to commodity pricing, supply & demand and regulatory risks, in addition to U.S. and non-U.S. equities, non-diversification and currency risks. Prices of various commodities and natural resources may be affected by factors such as drought, floods, weather, changes in storage costs, changing supply and demand relationships, transportation costs, embargoes, tariffs and other regulatory developments, as well as foreign currency exchange rates and international interest rates, many of which factors are unpredictable.*