Global Hard Assets

Alternative Investment Strategies

Second 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.

Looking at the year-to-date stock chart, one would have difficulty believing a major geopolitical event occurred. For years, markets and energy pundits have been concerned about the ultimate energy Armageddon event: closure of the Strait of Hormuz (and potential war with Iran) because 20% of the world's hydrocarbons pass through that narrow channel. Surprisingly, energy prices spiked less than at the start of the Russian attacks in Ukraine in 2022. Investors believed that the initial energy supply disruptions were partially offset by excess supply prior to the conflict, rerouting stranded Middle Eastern crude through pipelines, Strategic Petroleum Reserve (SPR) releases, and slightly increased production in the Americas. However, the primary reason was that the Chinese substantially reduced their crude imports by approximately 5 million barrels per day, down from over 11 million barrels per day. This was unexpected since previous emergency supply disruptions usually caused substantial price spikes and, oftentimes, demand destruction. Since the People's Republic of China obfuscates domestic data — including commercial inventories, SPR levels, and daily energy consumption — it is difficult to ascertain how much excess crude reserves China had previously built up. Like a swing supplier, China might be the new swing *demand* player that helps balance the markets when supply becomes questionable. The long-term viability of the strait is in question, with passage not assured and Iran pushing to charge tolls.

At the time of this writing in early July, there is tentative peace in the Middle East with an uneasy détente due to conflicting motivations. Despite the difficult nuclear material issue yet to be resolved, the markets have a fairly sanguine view on the war ending and have moved on to other concerns. By late spring, AI memory semiconductors and hardware companies had outpaced defense and energy-related stocks. There are some noticeable changes in the landscape as the UAE wants to leave the OPEC cartel. The strait closure highlighted the importance of energy security and having reliable access to the resources required to run one's economy independently. In the short term, the emphasis will be on restoring tanker traffic and refilling SPR and buffer stocks. In the longer term, we would expect Middle Eastern countries to build more alternative takeaway capacity to lessen reliance on the strait.

The Ukrainian conflict has pivoted as Ukraine recently gained the upper hand with drones and direct attacks on Russian soil, leaving Russia to absorb massive casualties and logistical disruptions. Ukraine's use of cheaper but innovative drone technology, along with the disabling of Starlink for Russian military use, has helped the Ukrainian cause.

During the second quarter of 2026, Confluence Global Hard Assets posted a negative return of 13.2% (gross of fees). The blended benchmark was also down 8.5% for the quarter, with the S&P Oil & Gas Index down 14.7%, the CRB Commodities Excess Return Index down 5.1%, the S&P Metals & Mining Index down 0.8%, and the NYSE Gold Miners Index down 16.8%. [*The strategy's net-of-fees return for the same period was -13.9% QTD. See disclosures on last page for fee description; actual investment advisory fees may vary*.]

During the quarter, the energy commodities and E&Ps both gave back much of their Q1 gains. Spot WTI crude prices dropped 31% in Q2 as the steep backwardation curve essentially flattened. Henry Hub natural gas prices, which are typically seasonally weak as inventories are drawn down, were up 14% in the quarter. Crude-oriented E&Ps were down mid-to-high teens, while natural gas-oriented E&Ps were down in the low teens. Despite the energy pullback, there are still concerns in the Middle East about potential tolls, infrastructure repairs, and alternative routes to market.

See GIPS Report on pages 3-4.

The CRB Commodities Excess Return Index, which currently comprises approximately 34% agriculture-related commodities and 7% livestock, was down in the low single digits. Grain and livestock price weakness was offset by improvements in softs. The CRB energy portion is approximately 39% and is heavily skewed toward WTI crude and, to a lesser extent, natural gas, heating oil, and gasoline. The unwinding of the geopolitical risk premium contributed to the decline. This was slightly offset by the low double-digit commodity price increases in copper and zinc, at 6% and 3% allocations, respectively. Silver, with a 3% allocation, weighed on the CRB index with a -20.4% return.

The S&P Metals & Mining Index was down slightly, at -0.8%, with components from industrial mineral miners, uranium miners, coal miners, precious metals miners, rare earths, and steelmakers. With the doubling of Section 232 tariffs, steelmakers outperformed in the quarter. The index was also supported by rare earths miners, copper miners, and aluminum smelters/refiners, though this was offset by underperformance from gold and silver miners, uranium miners, and coal miners. Coal prices and associated mining companies declined after Newcastle coal dropped following the June peace deal. Although uranium miners typically sell the commodity through negotiated long-term supply contracts, spot price weakness, supply disruptions, and valuation compression contributed to underperformance for the quarter. However, base metals, such as copper and zinc, outperformed as copper prices have been trading in line with AI-related stocks due to the high copper demand required for data centers. Base metal mining operations are being negatively impacted by lower distillate (diesel) yields outside the US, driven by the absence of Middle East sour crude to refine and greater restrictions on Chinese exports of sulfuric acid.

Precious metals were also down for the quarter, primarily due to a 10.6% decline in gold bullion, driven by the ebbing Iranian war, strengthening US dollar, and a more hawkish stance expected from the Federal Reserve. Gold miners provide intrinsic leverage to the underlying commodity as spot prices rise above mostly fixed production costs. This leverage cuts both ways as the gold miners were down 22%, on average, for the quarter. Despite this consolidation, gold miners are still realizing high prices for gold production and are expected to achieve near-record EBITDA and free cash flow margins for Q2. The gold spot price ended the quarter at $4,006 per troy ounce, which is still well above the long-term project planning prices that miners are using to underwrite mining projects. This provides a margin of safety if gold bullion prices soften further.

During the quarter, we sold Freeport-McMoRan (FCX) and Antofagasta (ANFGF) copper miners to add to our oil energy exposure with BP and Occidental Petroleum (OXY). We also sold the smaller uranium miners and added to our Cameco (CCJ) position as well as initiated a new position in New Hope Corporation (NHPEF), an Australian thermal coal miner that benefits from Asian countries adding alternative energy sources. With the greater need for crude oil, we added price-advantaged international E&Ps to increase our exposure to Brent pricing.

Current sector allocations in the Global Hard Assets portfolio stand at 30% precious metals, 23% base metals, 42% energy, 3% agricultural minerals, and 2% cash.

The portfolio remains positioned to benefit from shifts in geopolitics and the global economy. In an increasingly multipolar and fragmented world, we believe commodity prices and related equities stand to gain. This strategy continues to serve as a strategic alternative investment solution for the evolving global landscape.

Contribution[1]

(YTD as of 6/30/2026)

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

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
AG	First Majestic Silver Corp.	*Sold*	1.26
LYSDY	Lynas Rare Earths Ltd.	2.59	0.78
SCCO	Southern Copper Corp.	3.67	0.78
GLNCY	Glencore plc	3.34	0.65
SLV	iShares Silver Trust ETF	*Sold*	0.59
Bottom 5			
WDS	Woodside Energy Group Ltd.	1.90	(0.42)
CF	CF Industries Holdings Inc.	1.40	(0.52)
LUGDF	Lundin Gold Inc.	1.78	(0.57)
CNQ	Canadian Natural Resources Ltd.	1.77	(0.59)
AGI	Alamos Gold Inc.	3.10	(0.64)

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

Performance Composite Returns[2] (For Periods Ending June 30, 2026)

	Since Inception**	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Global Hard Assets *Pure Gross-of-Fees[3]*	5.4%	3.1%	10.5%	16.6%	23.7%	37.7%	0.9%	(13.2%)
Max Net-of-Fees[4]	2.2%	0.0%	7.2%	13.2%	20.1%	33.6%	(0.6%)	(13.9%)
Custom Benchmark	5.5%	3.6%	11.5%	17.6%	20.7%	38.9%	13.3%	(8.5%)

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%	9.1%	5.1%	1	$1,660	$533,832	N/A	N/A	N/A
2010	37.7%	33.6%	28.8%	8.9%	13	$6,853	$751,909	N/A	N/A	N/A
2011	(20.4%)	(22.8%)	(11.0%)	(9.4%)	122	$24,223	$937,487	N/A	N/A	0.5%
2012	5.0%	1.9%	(2.1%)	7.1%	110	$21,537	$1,272,265	24.9%	22.4%	0.4%
2013	(15.4%)	(18.0%)	(5.7%)	(9.8%)	92	$16,831	$1,955,915	22.4%	20.6%	0.6%
2014	(14.0%)	(16.6%)	(21.6%)	7.6%	79	$11,842	$2,589,024	17.1%	17.8%	0.3%
2015	(27.4%)	(29.6%)	(34.0%)	6.6%	53	$5,653	$3,175,419	16.2%	20.4%	0.3%
2016	23.3%	19.7%	50.9%	(27.6%)	41	$5,596	$4,413,659	18.6%	25.4%	0.3%
2017	2.4%	(0.7%)	4.8%	(2.4%)	34	$5,038	$5,944,479	17.0%	23.1%	0.2%
2018	(16.2%)	(18.7%)	(19.2%)	3.0%	27	$3,540	$5,486,737	15.0%	19.4%	0.3%
2019	12.4%	9.1%	10.5%	1.9%	25	$3,644	$7,044,708	14.7%	16.9%	0.4%
2020	24.4%	20.7%	(3.8%)	28.1%	26	$5,789	$6,889,798	25.9%	33.0%	0.2%
2021	12.6%	9.2%	40.2%	(27.7%)	31	$8,187	$7,761,687	26.1%	33.1%	0.7%
2022	9.3%	6.0%	23.5%	(14.2%)	50	$11,357	$6,931,635	29.7%	35.2%	0.3%
2023	10.7%	7.4%	7.8%	2.9%	52	$13,193	$7,200,019	23.0%	22.0%	0.5%
2024	5.2%	2.1%	5.2%	0.0%	48	$12,593	$7,280,773	23.1%	21.4%	0.5%
2025	62.0%	57.2%	36.1%	25.9%	93	$30,985	$6,769,052	17.5%	14.7%	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: FTSE/CoreCommodity CRB Excess Return Index 30%, S&P Oil and Gas Exploration and Production 30%, S&P Metals and Mining 25%, NYSE Gold Miners Index 15%. (*Source: Bloomberg*)

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See Territory Map on the Confluence website for sales coverage.

Disclosures

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Index: The strategy uses a custom blended benchmark that consists of: FTSE/CoreCommodity CRB Excess Return 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.

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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 US 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.

Effective June 30, 2026, the benchmark indices for this composite were retroactively reassigned: the CRB Commodity Index was changed to the FTSE/CoreCommodity CRB Excess Return Index.

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.