



Global Hard Assets

Alternate Investment Strategies



Third 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 Global Hard Assets strategy was inceptioned 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.

Global energy markets are being impacted by a middle distillate squeeze as worldwide refining capacity has shrunk under targeted Ukrainian attacks on Russian refineries and Chinese export limitations. With record-high diesel spreads, even US policymakers are contemplating limiting diesel exports, like the historical crude export restrictions from 1975 to 2015. These actions are causing diesel market tightness in Europe and constraining diesel availability for mining operations worldwide. Unsurprisingly, producing nations are prioritizing affordable hydrocarbons for their own domestic markets. The war involving Iran continues with no clear cessation in sight. While attacks on Saudi pipelines temporarily disrupted flows, Middle Eastern oil producers will likely expand takeaway capacity and alternative transport routes over the longer term to reduce reliance on the Strait of Hormuz.

Base metals continued to rise steadily, led by copper surging to near historical highs and driving forward curves into steep backwardation. Global exchange inventories were drained as industrial consumers front-loaded material ahead of potential trade restrictions. Despite broader construction softness, the AI infrastructure buildout remains highly copper intensive, and demand for industrial equipment and grid upgrades remains steady.

Precious metals demonstrated exceptional structural resilience. Gold bullion absorbed an aggressive surge in the US 10-year Treasury yield toward 5.3% without the typical liquidation seen in previous rate hike cycles. Sovereign central bank accumulation continued unabated and bilateral physical trade settlement outside the Western banking system provided a reliable price floor, while silver rebounded slightly on robust industrial photovoltaic demand.

During the third quarter of 2026, the Confluence Global Hard Assets strategy posted a positive return of 8.5%, for a year-to-date return of 9.4% (both gross of fees). *[The strategy's max net-of-fees returns for the same periods were 7.7% QTD and 7.0% YTD. See disclosures on last page for fee description; actual investment advisory fees may vary.]*

For the quarter, the composite benchmark was up 12.2%, with the S&P Oil & Gas Index up 16.8%, the CRB Commodities Excess Return Index up 16.0%, the S&P Metals & Mining Index down 3.1%, and the NYSE Gold Miners Index up 17.4%.

Dissecting each component of the composite benchmark, we'll start with the S&P Oil & Gas Index, where crude-oriented E&Ps advanced but lagged the underlying commodity. Spot WTI crude prices increased 32% in Q3 as the market faced crude shortages for refiners, particularly for diesel yields. The forward curve remained in backwardation and steepened considerably. Henry Hub natural gas prices fell 9.8% during the quarter, pressured by high domestic storage inventories and growth in associated gas output. Consequently, our gas-oriented producer holdings, such as Expand Energy and EQT, posted negative single-digit returns.

Overall, crude-oriented E&Ps rose mid-teens, while natural gas producers declined mid-single-digits. The war involving Iran and ongoing efforts to bypass the Strait of Hormuz through infrastructure repairs and alternative export routes continue to weigh on market sentiment. Multinational and crude-focused producers performed well as importing nations sought uninterrupted access to supply. All our crude-oriented E&Ps (including Shell, Exxon Mobil, and BP) led portfolio performance with gross returns of approximately 20% or better for the quarter. E&Ps with oil and gas assets outside the US generally remain well positioned amid broader world supply tightness.

The CRB Commodities Excess Return Index, which comprises roughly 33% agriculture and 7% livestock, gained 16% for the quarter. Strength across softs and grains was modestly offset by weakness in livestock. Corn, soybeans, and wheat all delivered mid-teens returns for the index as a weaker US harvest became apparent in August. Against that backdrop, our portfolio holding CF Industries, a leading nitrogen fertilizer producer, rose mid-single-digits, lagging the broader agriculture rally after earlier outperformance and having locked in seasonal summer inventory fill pricing. The CRB energy allocation, at roughly 39% of the index, surged 34.4% alongside the 32% increase in WTI crude and a 36% rise in retail diesel. Modest single-digit gains across copper, gold, silver, and zinc partially balanced this strong upward move.

The S&P Metals & Mining Index declined 3.1%, weighed down by uranium producers, coal miners, rare earth producers, and steelmakers. Steel and iron ore represent roughly one-third of the index, and those producers faced pressure from higher raw material costs, slower construction activity, and potential rollbacks of Section 232 tariffs. Temporary construction softness also weighed on aggregates in our portfolio, including Vulcan Materials. The index was positively impacted by the diversified miners.

Copper miners, in particular, supported the index as investors focused on persistent structural undersupply. Producers struggled to sustain output due to severe weather, operational disruptions at major assets, and headwind factors in Chile. Copper miners gained approximately 10% on average, with our holdings Southern Copper and Anglo American contributing positively to Global Hard Assets performance both during the quarter and on a year-to-date basis. Meanwhile, our other copper miners experienced production delays due to El Niño-related weather and labor issues. Given chronic long-term underinvestment in new supply, we remain constructive on the copper mining complex.

The broader mining index faced headwinds from metallurgical coal, uranium, and aluminum producers. Metallurgical coal prices softened alongside weaker global steel demand. In contrast, the seaborne thermal coal market strengthened on robust Indian and Chinese utility use, allowing our portfolio holdings in this market to perform well.

While uranium producers typically sell output under long-term negotiated contracts, spot prices remained range-bound in the 80-90s on a per pound basis. Despite a persistent multiyear deficit, uranium equities fell mid-teens as utility procurement slowed and investors reassessed timelines for nuclear power generation in AI data centers. Rare earth producers dropped roughly 24% despite sustained US government backing, pressured by elevated Chinese output, moderating electric vehicle demand, and cost hurdles facing Western processing facilities.

Precious metals advanced over the quarter, anchored by a 4% gain in gold bullion driven by steady central bank accumulation and concerns over US fiscal sustainability. While a firmer US dollar and an 80 basis point backup in the 10-year Treasury yield created a traditional yield headwind, persistent debt and inflation concerns limited downside. Gold mining equities and royalty companies rose in the mid-teens, demonstrating operating leverage as commodity prices exceeded largely fixed cost structures. Although higher labor and diesel costs are emerging, gold producers are expected to generate near-record EBITDA and free cash flow margins for Q3. With gold closing the quarter at \$4,157 per troy ounce, spot prices remain well above underwriting thresholds for new development, providing a substantial cushion against potential price consolidation.

Current sector allocations for the Global Hard Assets portfolio stand at 42% energy, 30% precious metals, 23% industrial metals, 3% agriculture, and 2% cash.

Confluence Global Hard Assets remains positioned to capitalize on shifting geopolitical dynamics and broader global realignments, where we believe supply constraints and fragmented trade corridors continue to favor hard assets and natural resource equities.

Global Hard Assets • Alternative Investment Strategies

Contribution¹

The top contributors and detractors for the portfolio thus far in 2026 are shown in the following table:

(QTD as of 9/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
AEM	Agnico Eagle Mines Ltd.	4.89	0.82
NEM	Newmont Mining Corp.	3.50	0.74
SCCO	Southern Copper Corp.	4.01	0.71
SHEL	Shell plc	3.16	0.69
BP	BP plc	3.09	0.60
Bottom 5			
EXE	Expand Energy Corp.	1.73	(0.12)
EQT	EQT Corp.	2.29	(0.21)
VMC	Vulcan Materials Co.	2.09	(0.39)
CCJ	Cameco Corp.	2.49	(0.44)
LYSDY	Lynas Rare Earths Ltd.	2.38	(0.68)

(YTD as of 9/30/2026)

Ticker	Security	Avg Weight (%)	Contribution (%)
Top 5			
SCCO	Southern Copper Corp.	3.79	1.53
AG	First Majestic Silver Corp.	Sold	1.32
GLNCY	Glencore plc	3.44	0.96
NGLOY	Anglo American plc	3.25	0.88
XOM	Exxon Mobil Corp.	2.26	0.73
Bottom 5			
CCJ	Cameco Corp.	2.27	(0.28)
CF	CF Industries Holdings Inc.	1.95	(0.32)
LUGDF	Lundin Gold Inc.	1.71	(0.35)
EXE	Expand Energy Corp.	1.78	(0.48)
AGI	Alamos Gold Inc.	2.90	(0.50)

Performance Composite Returns² (For Periods Ending September 30, 2026)

	Since Inception**	15-Year*	10-Year*	5-Year*	3-Year*	1-Year	YTD	QTD
Global Hard Assets								
Pure Gross-of-Fees ³	5.8%	5.5%	10.9%	19.5%	25.8%	22.3%	9.4%	8.5%
Max Net-of-Fees ⁴	2.7%	2.4%	7.7%	16.0%	22.0%	18.7%	7.0%	7.7%
Custom Benchmark	6.1%	6.0%	12.3%	20.3%	22.9%	32.0%	27.1%	12.2%

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%	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)

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: 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**—Contribution data shown from a sample account, based on individual stock performance and portfolio weighting. 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. Holdings identified do not represent all of the securities purchased, sold or recommended. Individual client portfolios in the strategy may differ, sometimes significantly, from these listings.

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, 2025. 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 inceptioned 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 US and non-US 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.