

Commodities Strategy Note: 2025 Performance Review and 2026 Structural Outlook

January 2026

Thomas Amara - Editor-in-Chief, Head of Commodities

1. COMMODITIES STRATEGY NOTE: 2025 PERFORMANCE REVIEW AND 2026 STRUCTURAL OUTLOOK

As of the 27th December 2025, we are proud to announce the commodities department of Southampton Investment Fund has delivered a +70% performance this past month, increasing portfolio value from £10,000 to £17,134. Our approach, focused on research reports, presentations and group discussions, has allowed us to take advantage of a strong rally in precious metals, predominantly gold, silver and platinum.

The goal of this note is to:

- (i) outline the factors driving the completion of our core hypotheses
- (ii) analyse how the environment has evolved since entries into our positions
- (iii) outline how these changes should inform positioning going forward.

Metric	Value (GBP)
Initial Portfolio Value	£10,000.00
Current Portfolio Value	£17,134.47
Total Absolute Gain	+ £7,134.47
Total Percentage Return	+ 71.34%

Trade Name	Gain	Entry Price	Capital	Leverage	Order Value	Quantity
Gold	+ £1,561	4282.30	£1,000	20x	£20,000	6.2967
Silver	+ £3,822	56.96	£1,000	10x	£10,000	234.3229
Platinum	+ £2,525	1657.60	£500	10x	£5,000	4.0246
Total	+ £7,908	–	£2,500	–	£35,000	–

I. WHY A PRECIOUS METALS-FOCUSED STRATEGY WORKED

Heightened geopolitical uncertainty and episodic risk-off events reawakened investors' allocation to tangible stores of value. Fears of an AI bubble, overconcentration in major indices,

and scepticism towards the continuation of a bull market prompted agents towards a reallocation of capital in line with the desire to decrease risk. Inflows of capital into precious metals act in the continuity of investors seeking geographical diversification in stocks, in part leading to an overperformance of the Euro Stoxx 600 over the S&P 500, and an increase in ownership of the equal-weighted S&P 500, for instance.

Furthermore, falling real yields reduced the carry cost of holding non-yielding cash and raised the present value of a convenience yield in precious metals. The Federal Reserve, having gradually cut interest rates in 2025, and markets pricing in further steady cuts in 2026, precious metal prices increased and can be predicted to continue to do so in 2026.

Additionally, the precious metals in question have inelastic supply. For silver, for example, 70% of global output arises as a by-product of mining for base metals such as copper, lead, and zinc. Mining projects and investments are therefore not a standalone product of silver prices, but also those of the minerals mined alongside it. Such market characteristics render the likelihood of a short-term supply surge unlikely, outside of truly exceptional events.

We believed such increases would take place due to certain position-specific factors and conditions:

- Silver's hybrid nature, as an aggregation of monetary and industrial demand, makes it inherently convex in reflationary environments. As expectations around energy transition investment, electrification, and industrial recovery firmed, silver increasingly behaved as a leveraged expression of macro optimism rather than a simple inflation hedge. A high gold-to-silver ratio, relative to historical norms at the time of analysis, also added arguments for an increase in silver prices.
- Gold's ascent was less cyclical and more structural. Persistent central bank accumulation reflected a gradual rethinking of reserve composition amid geopolitical fragmentation and reduced confidence in the long-term neutrality of fiat systems. This underpinned gold prices even during periods of muted inflation data, reinforcing its role as a monetary asset rather than a pure hedge. Furthermore, particular geopolitical risks such as the US government shutdown, the US seizing a Venezuelan oil tanker, and further hawkish declarations of the Trump administration on the matter, put in place an environment of heightened risk that gold is particularly susceptible to, as it is viewed as a safe-haven.
- Our positioning in platinum is opportunistic at core rather than a monetary hedge. The core identified drivers are a combination of supply disruptions, substitution dynamics in autocatalysts, and expectations around hydrogen applications. The metal rallied to historical levels shortly after our entry, where the price was increasing gradually to 5-year highs. We predicted the price to continue to increase gradually due to that specific aggregation of factors, most significantly due to supply dynamics. The increase outpaced our expectations to historical highs.

II. HOW THE MARKET HAS CHANGED AND OUR STRATEGY LOOKING FORWARD.

It is important to analyse how the market has changed since we issued our initial analyses. Gold and silver, particularly, were added to the portfolio on a long-term basis. Platinum itself was added on a short-medium term prospect. For each trade, we have established scenarios in which we would exit the position. This gives us a chance to monitor the occurrence of these scenarios.

- We believe silver retains significant long-term appeal, particularly as industrial demand continues to scale and due to its hybrid nature as a financial asset. However, its higher volatility implies that rebalancing around extremes, especially in the gold-silver ratio, becomes increasingly important. Profit-taking-induced sell-offs are particularly threatening in this market configuration, but we believe the market will stabilise before any prospect of higher surges, outside of any exceptional geopolitical events, as recent increases have been exceptionally rapid and strong. We would therefore not be scared off by flat or slightly downwards movement in the short term and continue to hold it as a long-term position.
- The structural case for gold remains anchored by central bank demand, which is projected to average nearly 600 tonnes per quarter through 2026, and geopolitical fragmentation, which remains heightened. Analysts increasingly view \$4,000/oz as a new psychological floor, with upside potential reaching \$5,000/oz if U.S. fiscal deficits widen further. The expected value of returns is positive, and we view the returns distribution as positively skewed. We intend to hold our gold positions within current market configurations, despite the rapid ascent to recent highs.
- Regarding Platinum, the strategy has evolved from a purely opportunistic entry into a more calculated "relative value" play. Having reached historical highs and 5-year peaks more rapidly than we expected, we are now assessing the sustainability of the current rally. The core identified drivers, supply-side fragility and the burgeoning demand for hydrogen applications—remain potent. However, the velocity of the move suggests a potential "overheating" in the short term. To manage this, we are exploring a more defensive accumulation strategy and would only consider increasing exposure on significant technical dips, specifically targeting the \$1,300–\$1,400 range.

III. SECONDARY POSITIONS

We predict inelastic and unmet demand to further drive price increases in Cacao. Our core medium to long-term hypothesis has not yet materialised in the commodity's price. However, we believe several core structural factors render an increase likely. Firstly, production has fallen short of supply for 3 consecutive years. Secondly, cocoa trees are ageing, reducing yield potential. Additionally, Climate risks remain elevated, and production is geographically concentrated, with the Ivory Coast and Ghana accounting for approximately 60% of global supply. Factors such as supply concentration and climate risks render the risk of supply-side

shocks particularly elevated.

Simultaneously, our investment in Small Modular Reactors (SMRs), specifically through entities such as Oklo and NuScale Power, represents a strategic pivot toward "energy-compute" convergence. We view these positions principally as an infrastructure play driven by the exponential demand for clean, reliable power necessitated by the AI epoch. While we recognise a secondary "decarbonization" benefit, our focus remains on the "unmet demand" for 24/7 carbon-free energy. Given the high speculative beta of these assets, we are prepared for heightened volatility as the market oscillates between AI-driven optimism and technical scepticism regarding deployment timelines.

CONCLUSION IV.

Recent results are the product of an exceptional precious metals rally. While the structural case for precious metals remains intact, the risk-reward balance has shifted. Our ability to identify the structural case for Gold's ascent amid geopolitical fragmentation, and the industrial-monetary convexity of Silver, suggests that our core research framework is robust. Despite this success, we recognize that our positioning in Platinum and Silver benefited from a velocity of movement that outpaced our initial expectations. This highlights a critical area for growth: the need to better calibrate our "speculative beta" and volatility expectations. More than individual trades, the focus has been on building a repeatable research-to-decision process and stress-testing our assumptions. We acknowledge that forward returns are likely to be more volatile, more regime-dependent, and more sensitive to positioning and macro repricing. We would also expect slight short-term drawbacks in our core positions, as consolidation periods follow gains of such amplitude and speed.

Looking forward to continuing to refine this with the team.