

Update on Commodities

From the Desk of the Asset Allocation Team

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Key takeaways:

- Commodities remain supported by long term structural dynamics, including years of underinvestment and steady global demand
- Recent performance does not appear inconsistent with prior early to mid-cycle phases in commodity markets
- Supply constraints and long development timelines suggest the current cycle may still have room to evolve
- Commodities can play a complementary role in portfolios, particularly in environments characterized by inflation uncertainty and diversification challenges

Q1. Why commodities — and why now?

Commodities are regaining attention as investors navigate an environment shaped by persistent inflationary pressures, geopolitical uncertainty, and less reliable diversification between traditional asset classes.

Unlike other financial assets, commodities are directly tied to physical supply and real-world demand. Over the past decade, capital investment across Energy, metals, and broader resource markets has lagged historical norms. This has contributed to tighter supply conditions across multiple commodity segments, even as global demand growth has continued.

From a portfolio construction perspective, commodities may offer diversification benefits and sensitivity to inflation that differ from equities and fixed income. As a result, they are often considered part of a longer-term allocation framework rather than a short-term tactical exposure.

Historically, periods characterized by sustained demand and supply discipline have also supported positive long-term return potential across commodity markets.

At TD Asset Management ("TDAM, we, our"), this allocation is actively managed, with portfolio positioning informed by ongoing assessments of supply conditions, demand trends, and relative value across commodity markets.

Q2. Have I missed the trade in commodities?

While certain commodity prices have moved higher, the broader cycle does not necessarily suggest late-stage conditions.

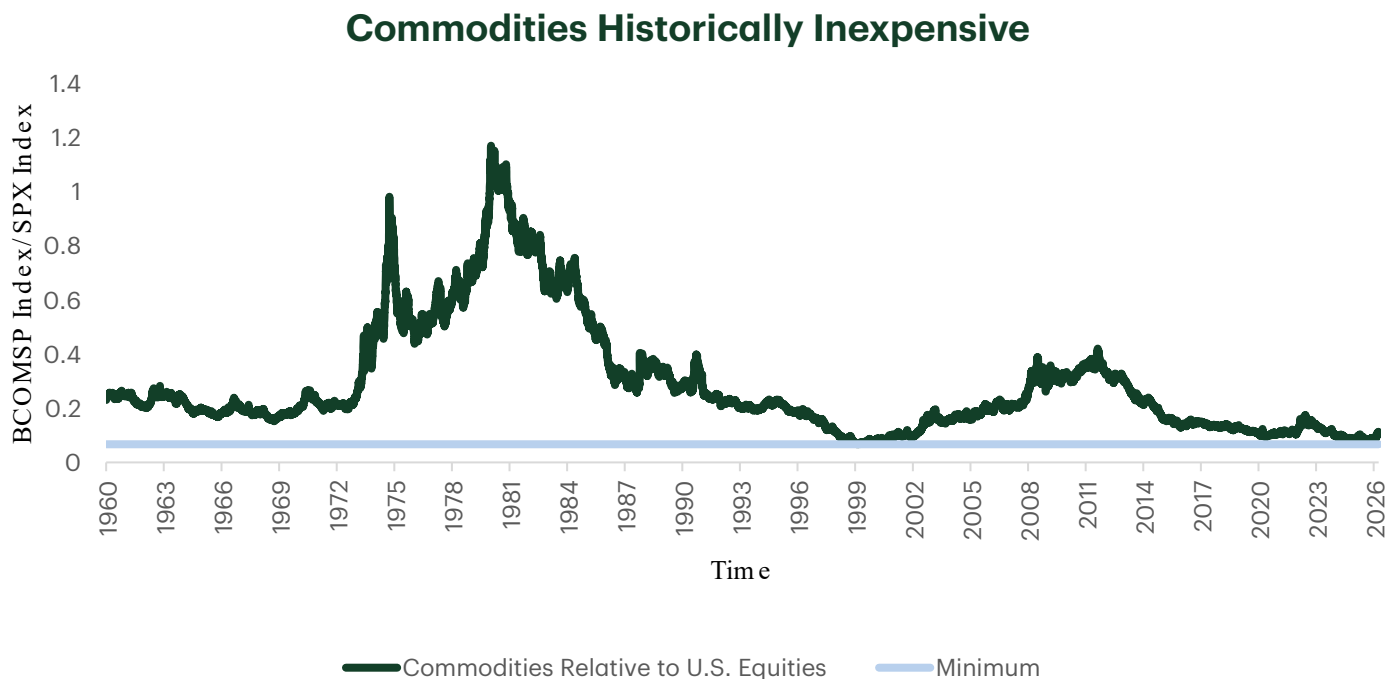
Commodity markets tend to respond slowly to price signals due to long development timelines and high capital requirements. Periods of reduced investment typically result in delayed supply responses, which can extend up-cycles once demand recovers.

Interest in the Commodities Pool has increased in recent months, with fund flows accelerating alongside improved market conditions. The strategy has also secured institutional mandates during this period, reflecting broader adoption of commodities within diversified portfolio frameworks.

As shown in Figure 1, capital investment related to commodities has remained subdued relative to global economic growth. Historically, such environments have coincided with multi-year adjustment periods, rather than abrupt cycle peaks.

From this perspective, recent gains may reflect improving fundamentals following a prolonged phase of underinvestment.

Figure 1: Capital Investment Has Lagged Global Growth



Note: BCOMSP Index = Bloomberg Commodity Spot Index. SPX Index = S&P 500 Index. Minimum = Historical lowest value of BCOM/SPX. The y-axis reflects a relative price ratio, calculated daily as the Bloomberg Commodity Spot Index divided by the S&P 500 Index (BCOMSP ÷ SPX). The Bloomberg Commodity Spot Index and S&P 500 Index is for information purposes only and is not necessarily correlated to any investment strategy. Source: Bloomberg Finance L.P. As of Apr 8, 2026.

Q3. Why does TDAM believe there is still room for growth in this commodities cycle?

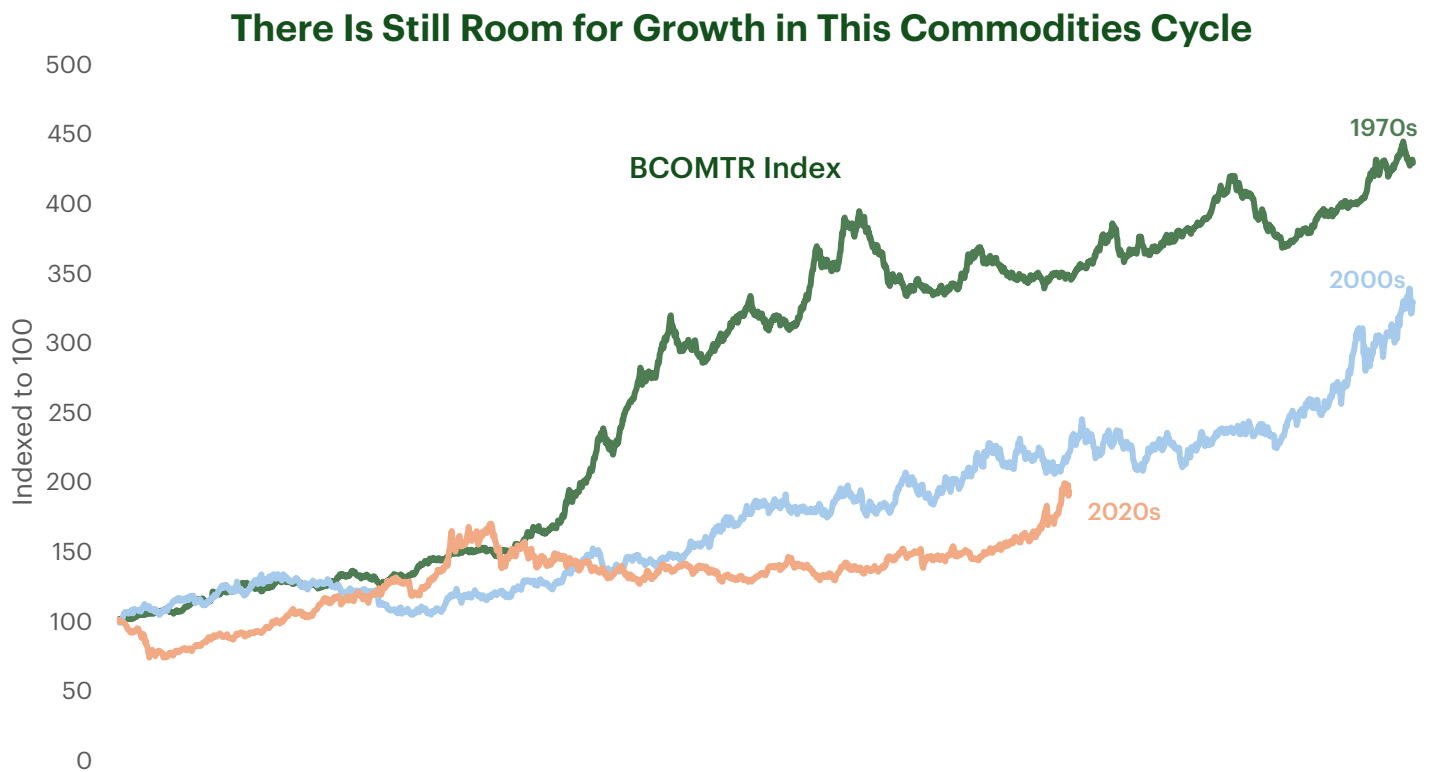
A key feature of the current commodities environment is the limited ability of supply to respond quickly to improved pricing conditions.

Across many commodity markets, new production capacity faces structural hurdles, including regulatory requirements, environmental considerations, and capital discipline. Even where prices have recovered, these constraints have slowed the pace at which new supply can be brought online.

Figure 2 illustrates that the current cycle remains at a stage where supply growth has yet to fully catch up with demand. Historically, such phases have been associated with longer lasting commodity cycles, as sustained investment is required before supply conditions materially shift.

These dynamics underpin the view that the commodities cycle may continue to evolve over time, rather than being driven solely by near term price fluctuations.

Figure 2: There Is Still Room for Growth in This Commodities Cycle



¹ 1970s data is indexed to 100 at inception and visually compressed above 250 using a 0.3 scaling factor to improve comparability across series. Compression affects display only and does not alter underlying return data.

Note: Each line represents a distinct historical commodities cycle rather than a continuous time series. 1970s Series spans Jan 1, 1970, to Jun 21, 1978, 2000s Series covers Jan 1, 2000, to Nov 7, 2008, and 2020s Series runs from Jan 1, 2020, to Mar 24, 2026. All series are indexed to 100 at their respective starting points to allow for directional comparison across cycles. BCOMTR Index – Bloomberg Commodity Total Return Index, representing the performance of the broad, diversified Bloomberg Commodity Index, including both price movements and collateral yield. The Bloomberg Commodity Total Return Index is for information purposes only and is not necessarily correlated to any investment strategy.

Source: Bloomberg Finance L.P. As of Mar 25, 2026.

Q4. How does gold fit within the broader commodities allocation?

Gold plays a distinct role within a diversified commodities allocation.

Broad commodity exposure is typically associated with sensitivity to economic activity and inflation, while gold has historically been influenced more by real interest rates, currency movements, and periods of heightened uncertainty. These differences mean gold and other commodities can exhibit distinct return patterns over time.

Within a diversified allocation, gold may help balance cyclical exposure while maintaining sensitivity to macroeconomic and geopolitical developments.

Q5. How do geopolitical developments affect the outlook for commodities?

Geopolitical events can influence commodity markets by highlighting existing supply vulnerabilities, particularly when spare capacity is limited.

These developments are occurring within a broader commodities investment cycle, where supply growth has remained constrained despite improving demand conditions.

Tensions in key producing regions may contribute to short term price volatility, especially in energy markets.

However, the broader outlook for commodities is shaped primarily by longer term structural factors, including supply discipline and demand growth.

As such, geopolitical developments are best viewed as reinforcing existing dynamics rather than defining the trajectory of the current commodities cycle.

Annualized Returns

Returns as of Mar 31, 2026	Inception Date	3 mths	6 mths	YTD	1 yr	2 yrs	Since Inception
TD Alternative Commodities Pool – F Series	Sep 26-23	24.39%	30.76%	24.39%	29.20%	20.11%	14.65%

Note: Returns for periods greater than one year are annualized.

**For further information,
please contact your TDAM representative.**

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Source: Bloomberg Finance L.P.

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