

Allianz Global Metals and Mining

Quarterly commentary

Investment Objective

The Fund invests in global equity markets with a focus on natural resources. Natural resources may comprise of nonferrous metals, iron and other ores, steel, coal, precious metals, diamonds or industrial salts and minerals.

What Happened in Q4

During Q4, global financial markets entered a more differentiated phase. Expectations of further monetary easing in the US and Europe gradually firmed, as inflation continued to trend lower and growth data showed signs of moderation. Government bond yields trended mostly sideways, providing support for equity valuations. Equity markets finished the year at elevated levels, although momentum was less uniform than earlier in 2025. US markets remained resilient, supported by earnings visibility and continued investment in artificial intelligence (AI) and data centre infrastructure. European markets lagged somewhat, reflecting weaker macro data and ongoing geopolitical uncertainty, while Asian markets delivered mixed performance as China's policy support translated only gradually into real economy momentum. Among commodities, structural themes again came to the fore. Copper prices stood out with a 23% gain over the quarter, supported by tight supply conditions and increasing evidence of demand linked to grid expansion, electrification and data centre power requirements. Disruptions at several large mining operations during the year continued to weigh on supply expectations, reinforcing the narrative of limited spare capacity. Gold prices trailed with 12% gain over the quarter. Continued geopolitical tension, central bank buying and a more benign real rate environment supported investor demand. By contrast, the Energy segment lagged as oil supply was estimated to maintain strong.

Portfolio Review

The Fund was up over the course of Q4 and outperformed its comparison. Relative performance was primarily driven by overweight in copper and positive contribution from stockpicking in diversified miners.

Among the strongest contributors were lithium producer Albermarle, which benefitted from strong upside momentum in the underlying metal prices. Also, the two copper producers Lundin Mining and KGHM were in the top contributor ranks as copper prices rallied in the last quarter of 2025. Among the detractors, non-owned Freeport McMoRan stood out as the name also participated in the copper-driven upside. Also, Franco-Nevada stocks were among detractors as the stock took a breather from strong 2025 performance. Last but not least, underweight Vale shares did well and contributed negatively to relative performance.

Over the recent month, there have been significant trades. After recent weakness in the rare earth space, Lynas Rare Earths was added to the strategy. In the precious metals space, the position in Newmont was reduced while Sibanye and Panamerican Silver were initiated. Moreover, in the steel and iron ore space, Fortescue Ltd was sold whereas ArcelorMittal and Vale were introduced.

Market Outlook

Financial markets are currently marking new highs in most markets. Also, for commodities and associated stocks, some optimism is spilling. With the enthusiasm around AI and new data centre infrastructure, it is becoming more and more evident that the boom might hit physical limits. Apart from the availability of critical chip sets, fundamental supplies like electricity are a bottleneck for hyperscalers in the US and around the world. In our opinion, the full demand pulls for key infrastructure and the needed commodities are not yet fully understood by markets and provide opportunity. In particular, in light of the latest supply friction, we assume that a scenario of scarcity for key commodities might arise. With the strong mergers and acquisitions (M&A) activity in the sector, strategic buyers are well aware of the upcoming scarcity. They are currently carefully pondering developing organic opportunities versus buying out their peers. The announced combination of Anglo American and Teck Resources is an impressive step and a potential interloper for this deal would be a proof statement of tight conditions in the Mining sector.

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All data are sourced from Bloomberg and Allianz Global Investors as at 31 December 2025 unless otherwise stated.

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