Smart commodity investing at the cross-roads of a new supercycle

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Key Takeaways

- Wide dispersion in fund outcomes highlighted that portfolio construction mattered in 2025
- The WisdomTree Enhanced Commodity ex-Agriculture UCITS ETF's metals exposure and implementation drove top-quartile results
- The exchange-traded fund (ETF) is well-positioned for a more selective commodity cycle in 2026

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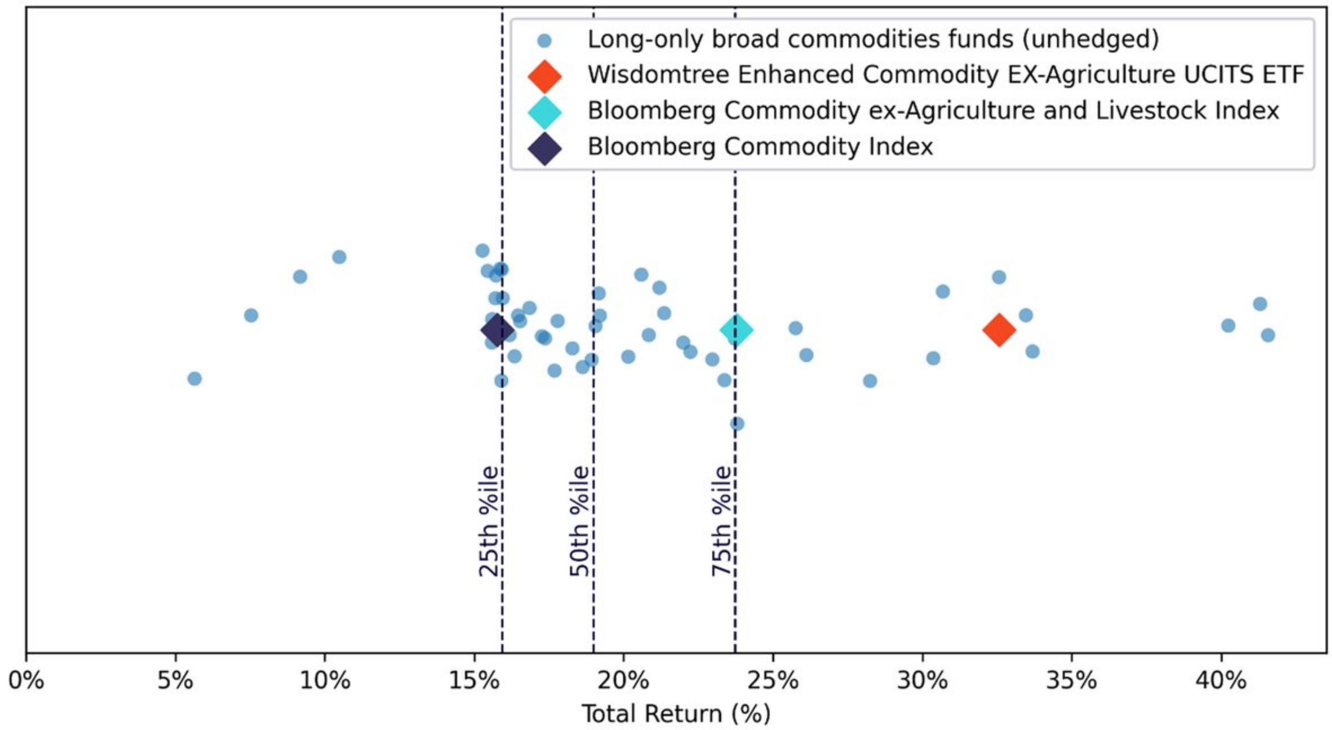
2025 was a strong year for commodities in aggregate. Broad commodity funds delivered positive returns throughout, supported by upside surprises across industrial and precious metals. Yet beneath strong aggregate returns, outcomes varied widely across funds1.

The return gap between the best- and worst-performing broad commodity funds reached 66%, highlighting that portfolio construction choices mattered as much as the asset class exposure itself (Figure 1). This dispersion includes one fund with a more flexible mandate that permits the use of derivatives and hedging. For readability, this fund's return is truncated in Figure 1.

Against this backdrop, WisdomTree's Enhanced Commodity ex-Agriculture UCITS ETF (WXAG) finished 2025 in the top quartile of its peer group, delivering a return 13.6% above the median. The following sections unpack the drivers of this performance and assess whether the strategy is positioned to benefit from the next phase of the commodity cycle.

Figure 1: WisdomTree's Enhanced Commodity ex-Agriculture UCITS ETF finishing 2025 in the top quartile of long-only broad commodity funds



Source: Bloomberg from 31 December 2024 to 31 December 2025. The blue dots represent the range of total returns from 52 long-only, unhedged broad commodity funds (incl. ETFs and open-ended funds) offered in Europe. Chart scale capped at the 95th percentile of returns. One outlier above this level is truncated for visual clarity. **Historical performance is not an indication of future performance and any investments may go down in value.**

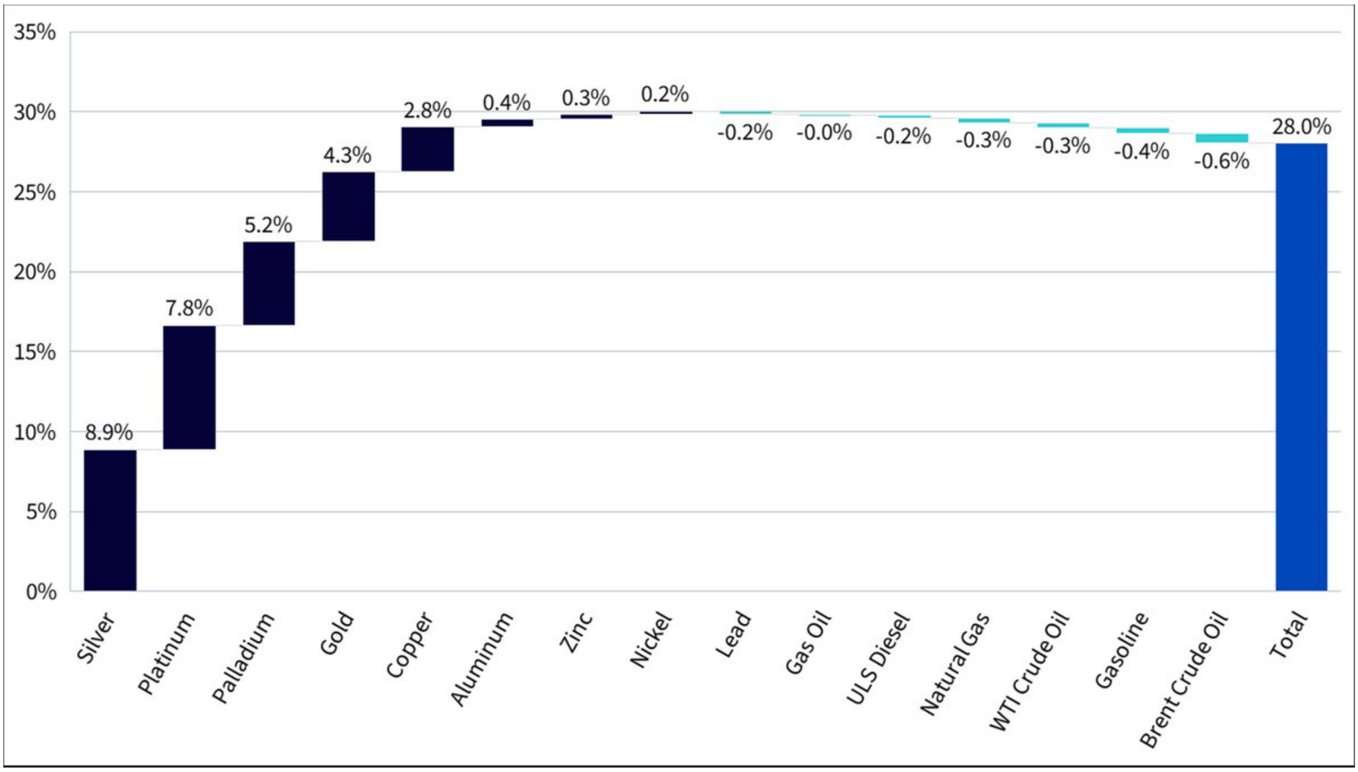
A year defined by sector divergence

Rather than a broad-based commodity rally, 2025 was characterised by pronounced dispersion across sectors.

Energy markets struggled under the weight of excess supply, with fossil fuels impacted by elevated production and inventory levels. In contrast, industrial metals such as copper benefited from tightening supply conditions colliding with structurally rising demand, particularly from data centre investment, electrification, and electric vehicle adoption.

Precious metals added a further tailwind. Gold and silver benefited from a combination of US-dollar debasement concerns, heightened geopolitical risk, and renewed policy uncertainty, while platinum group metals rallied sharply amid improving demand dynamics and constrained supply.

Figure 2: WisdomTree’s Enhanced Commodity ex-Agriculture UCITS ETF performance contributors



Source: WisdomTree from 31 December 2024 to 31 December 2025. Return attribution is shown as excess return, before collateral return. **Historical performance is not an indication of future performance and any investments may go down in value.**

Precious metals accounted for 94% of total returns, with silver alone, at an average portfolio weight of 8.8%, contributing approximately one-third of overall performance. Platinum and palladium were the next largest contributors, followed by gold. Industrial metals, led by copper, accounted for the remainder of gains, while exposure to energy modestly detracted.

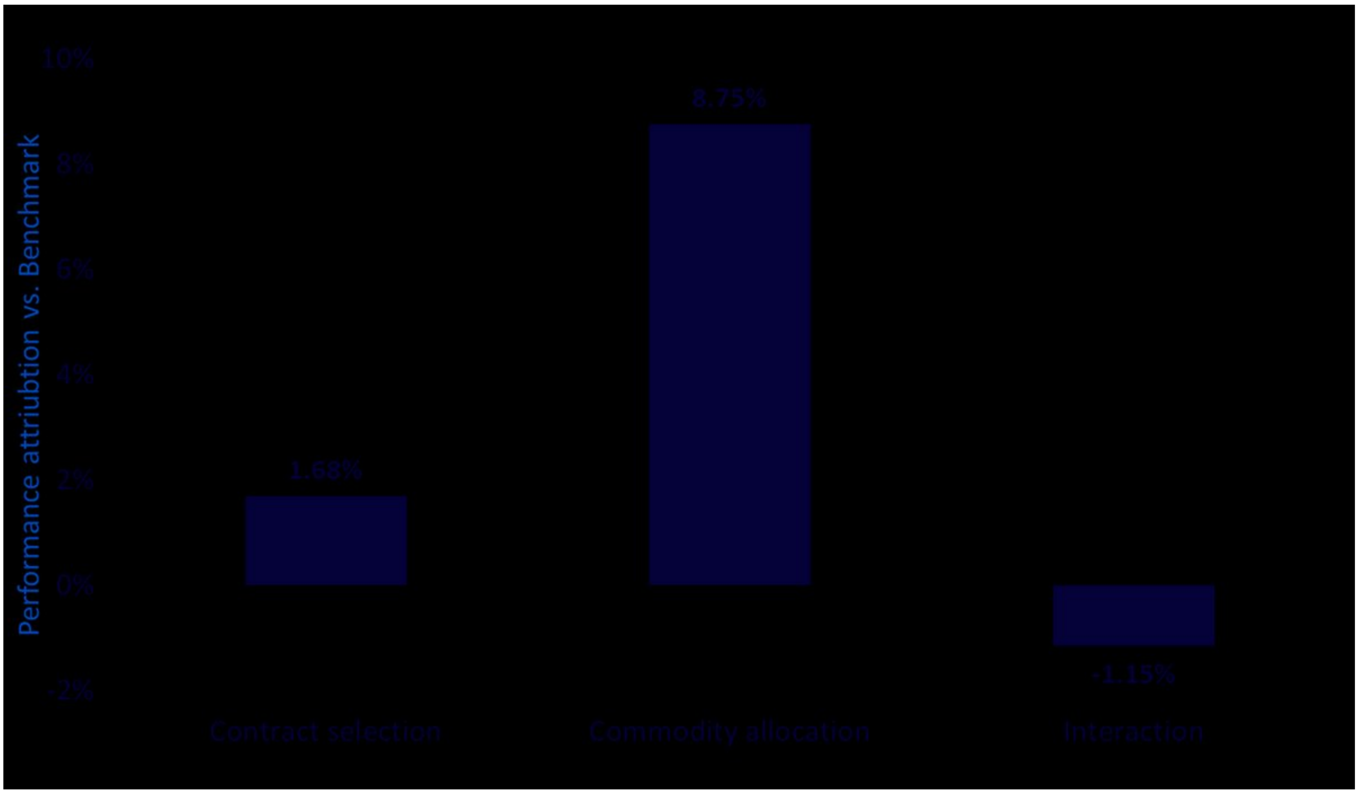
Ex-Agriculture mattered, but wasn't everything

The exclusion of agricultural commodities explains part, but not all, of the fund's performance outcome (Figure 1).

Agricultural markets detracted from returns across many broad commodity allocations in 2025, and removing this exposure provided a meaningful tailwind. However, WisdomTree's Enhanced Commodity ex-Agriculture UCITS ETF's performance exceeded that of commodity portfolios with similar sector exclusions, indicating that outcomes were shaped by more than sector composition alone.

In particular, the strategy maintains structural exposure to platinum and palladium, markets that are excluded from conventional broad commodity benchmarks. In 2025, platinum and palladium delivered total returns of 115% and 72%2, respectively, contributing meaningfully to relative performance versus the Bloomberg Commodity ex-Agriculture and Livestock Index (Figure 3).

Figure 3: commodity allocation drove the 2025 outperformance



Source: WisdomTree, Bloomberg from 31 December 2024 to 31 December 2025. 'Commodity allocation' reflects the impact of commodity selection and weighting. 'Contract selection' reflects the impact of futures contract choice relative to the benchmark. Interaction captures the combined effect of both. Benchmark: Bloomberg Commodity ex-Agriculture and Livestock Index. **Historical performance is not an indication of future performance and any investments may go down in value.**

Beyond commodity selection, improved futures contract selection contributed positively to returns.

The strategy seeks to mitigate roll costs and improve carry outcomes by selecting contracts along the futures curve with more favourable characteristics. In 2025, this approach contributed 1.68% to returns (Figure 3). While interaction effects were negative, indicating instances where contract selection muted some commodity price gains, the net impact of allocation and curve management remained decisively positive.

Looking ahead: positioned for a more selective commodity cycle

Going into 2026, WisdomTree's Enhanced Commodity ex-Agriculture UCITS ETF will continue to maintain a strategic equal weight allocation across industrial metals, precious metals and energy, with intra-sector weights determined by liquidity and a risk-return optimisation process.

The next phase of the commodity cycle is becoming increasingly selective rather than broad-based. An equal-weight allocation across industrial metals, precious metals and energy offers a robust way to capture this shift without relying on a single macroeconomic outcome. Industrial metals are supported by sustained investment in electrification, grid expansion and data infrastructure, while supply remains constrained by long development timelines and growing policy intervention. Precious metals, led by gold, increasingly reflect structural demand linked to fiscal credibility, geopolitics and reserve diversification.

Energy markets stand apart. Elevated inventories and spare capacity limit the scope for a sustained upswing, but energy remains an important source of diversification and inflation sensitivity within a commodity allocation. Equal weighting, therefore, balances exposure to structurally tightening metals markets with the stabilising role of energy, while retaining upside to what increasingly resembles a selective commodity supercycle focused on metals.

Summary

2025 reinforced that for multi-asset portfolios, outcomes depended on how commodity exposures were implemented, not just on the decision to allocate to the asset class itself. WisdomTree's Enhanced Commodity ex-Agriculture UCITS ETF's top-quartile performance reflected targeted exposure to metals with tightening supply dynamics, inclusion of conventionally underrepresented markets, and disciplined futures implementation. As the commodity environment becomes more selective and increasingly centred on industrial and precious metals, the strategy's design remains aligned with the dominant forces shaping returns in 2026.

1 The peer group consists of long-only, broad commodities open-ended funds offered in Europe, excluding currency-hedged share classes.
2 Source: WisdomTree from 31 December 2024 to 31 December 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

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