

Beyond the Commodity Label: Distinct Paths to Diversified Exposure

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Key Takeaways

- Earlier this month, the [WisdomTree Enhanced Commodity Strategy Fund \(GCC\)](#) benefited from a higher allocation to metals, outperforming peers during a period when energy lagged.
- [GCC's](#) active strategy, which adjusts sector exposures and seeks to optimize roll yield, has shown stronger alignment with recent commodity leadership than rules-based peers.
- Investors should dig deeper than broad commodity labels, as performance depends heavily on how each strategy navigates sector weights, volatility, and shifting market regimes.

In the world of commodity investing, category names can obscure critical strategy differences. Funds grouped under the same "broad commodities" label can behave very differently depending on how they allocate across sectors, manage risk, and navigate futures curves. Understanding those differences is essential, because they ultimately determine whether a portfolio captures diversification—or simply concentrates exposure in unexpected places.

The [WisdomTree Enhanced Commodity Strategy Fund \(GCC\)](#) incorporates an active strategy that takes into account both an enhanced roll methodology alongside a broader, research-driven strategic allocation. Enhanced roll in this context refers to attentiveness to contango (negative roll yield) and backwardation (positive roll yield). Minimizing contango while leaning into backwardation, where possible, is the underlying logic of the strategy. [GCC](#) also represents a widely diversified approach, typically spanning around 26 contracts and up to 5% bitcoin exposure.

By contrast, the Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF (PDBC), the category leader by AUM1, tracks the DBIQ Optimum Yield Diversified Commodity Index. The DBIQ Optimum Yield Diversified Commodity Index is a rules-based commodity futures index designed to provide broad, diversified commodity exposure while seeking to enhance roll yield. The index allocates across energy, metals, and agricultural commodities based on a combination of market liquidity and global production metrics, subject to sector and commodity caps. Rather than rolling futures on a fixed schedule, each commodity selects the futures contract along the curve with the highest implied roll yield, aiming to benefit from backwardation and mitigate contango. The index is rebalanced annually, with additional safeguards to prevent excessive concentration during periods of extreme price movements.

The First Trust Global Tactical Commodity Strategy Fund (FTGC) takes yet another approach as an actively managed, long-only commodity futures strategy designed to deliver diversified commodity exposure with controlled volatility². Rather than weighting commodity exposures by production or market size, the portfolio uses quantitative models to forecast volatility and correlations across a broad universe of liquid commodity futures contracts. Portfolio weights are constructed to target a consistent risk profile and avoid over-concentration in any single commodity or sector. The strategy is rebalanced regularly and includes active contract selection along the futures curve, seeking to improve roll yield and manage contango and backwardation dynamics.

Two Philosophies of Commodity Portfolio Construction

GCC, **FTGC**, and **PDBC** all provide diversified commodity exposure and fall within the same Morningstar Category, but they reflect two distinct schools of portfolio construction.

Active Strategies

GCC and **FTGC** are actively managed strategies that emphasize risk-aware portfolio design rather than static index weights. **GCC** combines discretionary oversight with systematic signals, such as term structure, carry, and momentum, to dynamically allocate across commodity exposures, seeking to improve roll yield and performance across market regimes. **FTGC** also departs from an index-tracking construction, using quantitative models to forecast volatility and correlations across a broad commodity universe, then constructing a portfolio targeted to a relatively stable risk profile. While both are active, **GCC** places greater emphasis on regime sensitivity and tactical positioning, whereas **FTGC** focuses more on volatility targeting and diversification efficiency.

Following an Index

PDBC, in contrast, is fully rules-based. Its methodology allocates commodities using liquidity and global production metrics, then systematically selects futures contracts with the highest implied roll yield along the curve. Rebalancing follows predefined schedules and constraints, with limited discretion.

Performance: Where the Rubber Meets the Road

While it's important to know, in our opinion, which strategies are active, which are passive and what the overall strategy is seeking to achieve, we understand that the first evaluation that many investors will do regards performance. Figure 1a shows:

- **Short-term dispersion reflects today's uneven commodity leadership.** Year-to-date and one-year returns vary widely across strategies, mirroring a market where metals have been strong while energy has been far less supportive. These differences are less about "being in commodities" and more about how each strategy is positioned across sub-sectors.

- **Recent performance highlights exposure, not timing.** The sharp divergence over the past year suggests that portfolio construction, particularly relative weights to metals versus energy, has mattered far more than tactical entry points, reinforcing why seemingly similar commodity funds can produce very different outcomes in the same market environment.
- **Longer-term results compress dispersion, but don't erase it.** Over five years and longer horizons, returns converge, yet differences persist, implying that short-term regime shifts drive headline performance while long-run outcomes are shaped by how consistently strategies manage sector exposure, volatility, and roll dynamics through cycles.

Figure 1a: When Methodology Matters: A Multi-Year Test of Commodity ETF Design

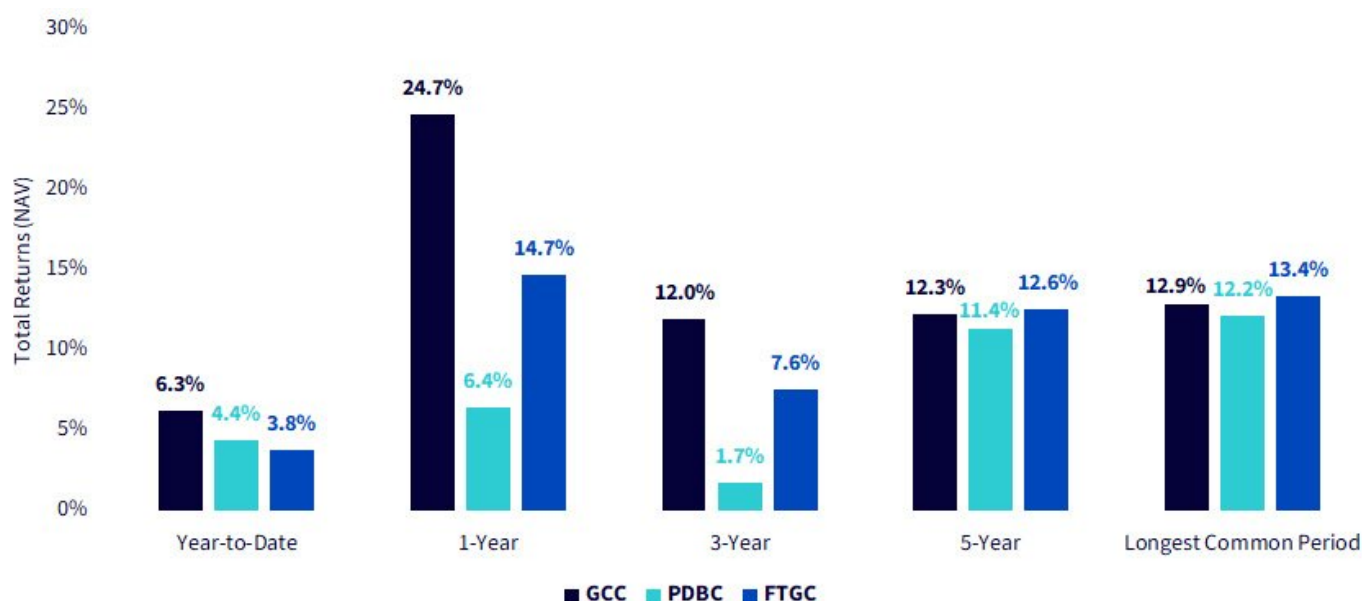


Figure 1b: Standardized Returns

Fund Name	Fund Ticker Symbol	Fund Gross Exp. Ratio	Fund Net Exp. Ratio	Fund Inception Date	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree Enhanced Commodity Strategy Fund (NAV)	GCC	0.55%	0.55%	12/21/20	19.69%	19.69%	9.96%	11.46%	N/A	11.67%
WisdomTree Enhanced Commodity Strategy Fund (MP)	GCC	0.55%	0.55%	12/21/20	19.76%	19.76%	9.88%	11.34%	N/A	11.61%
Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF (NAV)	PDBC	0.67%	0.59%	11/6/14	6.24%	6.24%	0.59%	11.49%	6.76%	1.52%
Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF (MP)	PDBC	0.67%	0.59%	11/6/14	6.07%	6.07%	0.54%	11.45%	6.70%	1.50%
First Trust Global Tactical Commodity Strategy Fund (NAV)	FTGC	0.98%	0.98%	10/22/13	14.48%	14.48%	6.10%	12.35%	5.73%	1.39%
First Trust Global Tactical Commodity Strategy Fund (MP)	FTGC	0.98%	0.98%	10/22/13	14.43%	14.43%	6.02%	12.28%	5.74%	1.39%

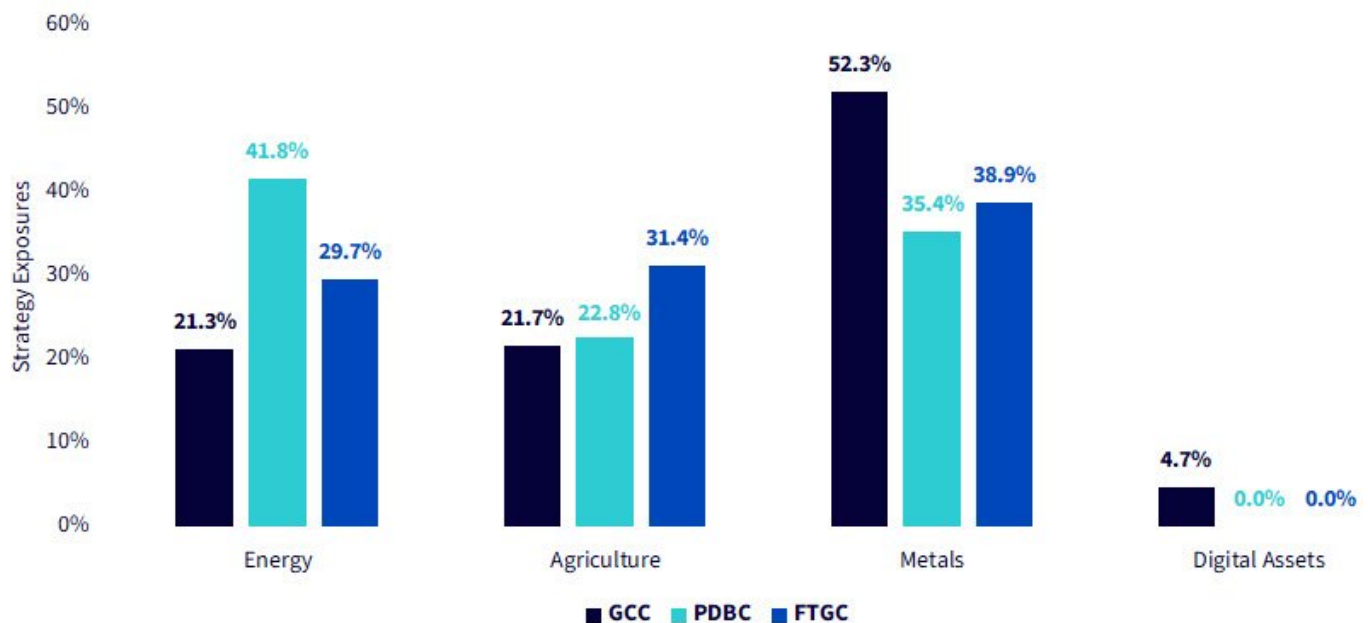
Sources: WisdomTree, FactSet specifically data from the Fund Comparison Tool in the PATH suite of tools, accessed January 14, 2026, with returns in Figure 1a as of 1/13/26, and in Figure 1b as of 12/31/25. NAV denotes total return performance at net asset value. MP denotes market price performance. **Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performance and to download the respective Fund prospectuses, click the relevant ticker: [GCC](#), [PDBC](#), [FTGC](#).**

The Bottom Line Drivers of Differentiated Returns

Figure 2 allows us to understand the underlying commodity exposures from a clearer perspective:

- **Metals exposure has been the primary driver of recent performance dispersion.** [GCC's](#) materially higher allocation to metals aligns with a market environment where both precious and industrial metals have led, helping explain why short-term returns have diverged meaningfully across strategies.
- **Energy weightings have been a relative drag in the current regime.** [PDBC's](#) heavier exposure to energy has weighed on performance during a period when energy has lagged metals, underscoring how index-driven sector allocations can amplify or dampen returns depending on which commodity groups are in favor.
- **Active sector tilts have mattered more than diversification alone.** While [FTGC](#) maintains a more balanced exposure profile, [GCC's](#) willingness to express stronger views, particularly toward metals, has been better aligned with recent market leadership, highlighting how active positioning can translate into differentiated outcomes when regimes shift.

Figure 2: Portfolio DNA Across Ags, Metals, and Digital Assets



Sources: WisdomTree, FirstTrust and Invesco product pages, with data as of 1/13/26. **Subject to change.**

Conclusion: Why Commodity Exposure Demands Clarity

For investors seeking real asset exposure, not all "broad commodity" strategies are created equal, and the differences are rarely obvious from the label alone. While commodities are often framed as a single inflation hedge or macro diversifier, the reality is that portfolio behavior is driven by underlying sector exposures. When a large share of a strategy is anchored to energy, outcomes can end up reflecting oil market dynamics far more than broader real asset trends.

This is why looking under the hood matters for allocators. Commodity investing is not a monolith; it is a collection of distinct, volatile sub-sectors, energy, metals, agriculture, and increasingly digital assets, each responding to different economic and geopolitical forces. Rules-based approaches like PDBC deliver systematic exposure shaped by production and liquidity weights, while active strategies such as FTGC and GCC introduce risk management and discretion. The distinction lies in how deliberately those tools are used.

A more flexible, actively managed approach, like GCC, allows sector exposures to evolve with changing regimes, reducing reliance on any single commodity complex and increasing the likelihood of participating in emerging themes, from industrial metals demand to gold's role in central bank reserves or the growing institutional relevance of bitcoin. For allocators, the takeaway is straightforward: choose the exposure that reflects your conviction. Otherwise, your commodity allocation may behave very differently than you expect.

Figure 3: Additional Information

Fundamentals	WisdomTree Enhanced Commodity Strategy Fund (GCC)	Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF (PDBC)	FirstTrust Global Tactical Commodity Strategy Fund (FTGC)
Objective	The WisdomTree Enhanced Commodity Strategy Fund is an actively managed exchange-traded fund and intends to provide broad-based exposure to the following four commodity sectors: Energy, Agriculture, Industrial Metals, and Precious Metals primarily through investments in futures contracts. The Fund may also invest up to 10% of its net assets in any combination of shares of one or more exchange-traded products that primarily hold bitcoin and in bitcoin futures contracts. The Fund will not invest in bitcoin directly.	The Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF (Fund) is an actively managed exchange-traded fund (ETF) that seeks to achieve its investment objective by investing in commodity-linked futures and other financial instruments that provide economic exposure to a diverse group of the world's most heavily traded commodities. The Fund seeks to provide long-term capital appreciation using an investment strategy designed to exceed the performance of DBIQ Optimum Yield Diversified Commodity Index Excess Return™ (DBIQ Opt Yield Diversified Comm Index ER) (Benchmark), an index composed of futures contracts on 14 heavily traded commodities across the energy, precious metals, industrial metals and agriculture sectors.	The portfolio managers aim to construct a portfolio that maintains a consistent level of risk for the client, adjusting the portfolio in response to market fluctuations rather than adhering to a static allocation. FTGC does not issue K-1s for tax purposes. Investors will receive a 1099 with distributions reported as ordinary income. Commodity allocations are managed with a risk-focused approach, distributing investments across individual commodities to prevent over-concentration in any single commodity or sector. Future contracts are evaluated both quantitatively and qualitatively to seek the potential for the highest total return.
Total Expense Ratio (Gross)	0.58%	0.67%	0.98%
Total Expense Ratio (Net)	0.57%	0.59%	0.98%
Total Assets Under Management (millions)	\$191.93	\$4,750.00	\$1,917.04

Sources: WisdomTree's fund compare tool, which utilizes data from FactSet and Morningstar. Assets under management is from the individual fund sponsor websites and is as of 1/14/26.

- 1 The category refers to the Morningstar Commodities Broad Basket category of U.S. listed ETFs. As of December 31, 2025, PDBC was the largest fund by AUM in this category.
- 2 As of December 31, 2025, FTGC was the largest fund in the Commodities Broad Basket category, defined by Morningstar, that was not tracking the return of any underlying index.

Important Risks Related to this Article

All funds are managed differently and do not react the same to economic or market events. The investment objectives, strategies, policies or restrictions of other funds may differ and more information can be found in their respective prospectuses. Therefore, we generally do not believe it is possible to make direct fund to fund comparisons in an effort to highlight the benefits of a fund versus another similarly managed fund.

GCC: There are risks associated with investing including possible loss of principal. An investment in this Fund is speculative, involves a substantial degree of risk, and should not constitute an investor's entire portfolio. One of the risks associated with the Fund is the complexity of the different factors which contribute to the Fund's performance. These factors include use of commodity futures contracts. In addition, bitcoin and bitcoin futures are a relatively new asset class. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. While the bitcoin futures market has grown substantially since bitcoin futures commenced trading, there can be no assurance that this growth will continue. In addition, derivatives can be volatile and may be less liquid than other securities and more sensitive to the effects of varied economic conditions. The value of the shares of the Fund relate directly to the value of the futures contracts and other assets held by the Fund and any fluctuation in the value of these assets could adversely affect an investment in the Fund's shares. Because of the frequency with which the Fund expects to roll futures contracts, the price of futures contracts further from expiration may be higher (a condition known as "contango") or lower (a condition known as "backwardation") and the impact of such contango or backwardation may be greater than the impact would be if the Fund experienced less portfolio turnover. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For PDBC risk disclosures, click [here](#).

For FTGC risk disclosures, click [here](#).