



—
Investing for a
world of change



Paul Gooden
Portfolio Manager

The revenge of the old economy

AI is driving new demand for commodities, while supply remains disciplined – supporting the outlook for natural resources equities.

Key takeaways

- Markets have spent years focused on the intangible economy, but the technologies expected to define the future still have to be built and powered. That requires energy, metals and physical infrastructure.
- The improving structural backdrop for natural resources comes after a prolonged period in which commodities have derated significantly relative to equities.
- Growth may be lower than in some parts of the equity market, but many natural resources companies are producing cash, paying dividends and buying back shares rather than relying on profits many years into the future.

The technologies expected to define the future are becoming increasingly dependent on the natural resources associated with the old economy, creating a potentially supportive backdrop for natural-resource equities.

AI, data centres and electrification are increasing demand for power, infrastructure and raw materials at a time when geopolitical fragmentation is making resource security increasingly important and years of capital discipline have constrained the supply response across parts of the natural-resources complex.

The artificial intelligence revolution has a very real physical footprint. AI may live in the cloud, but data centres need enormous amounts of power and metals such as copper and aluminium. The ethereal world of technology still needs the material world to function.

Geopolitical fragmentation

This is part of a broader shift in the investment environment for natural resources, as geopolitical fragmentation changes the way governments and companies think about access to energy and raw materials.

Russia's invasion of Ukraine, conflict in the Middle East, US-China tensions and the return of global tariff tensions all point towards a more multipolar global economy. What matters for investors is not predicting the next geopolitical event but recognising the structural shift towards a more fragmented global system (see figure 1).

Governments and companies increasingly want greater certainty over where critical resources will come from. That can mean holding more inventory, encouraging domestic production or securing access to resources from trusted partners.

For decades, globalisation allowed countries to assume they could access the resources they needed from wherever they could be produced most efficiently. That assumption is becoming harder to make. In a more multipolar world, access to energy and raw materials is becoming strategically important again. That is potentially less efficient and more inflationary, but it also creates a more supportive backdrop for natural resources.

The consequences are appearing across the natural-resources complex. Oil markets are being reshaped by conflict and concerns over resource security. Gold is benefiting from geopolitical uncertainty, fiscal pressures and central-bank buying, while copper and aluminium sit at the heart of electrification, grids and digital infrastructure.

Figure 1: Commodity trade disrupted in a fragmenting world

Select hotspots and flashpoints



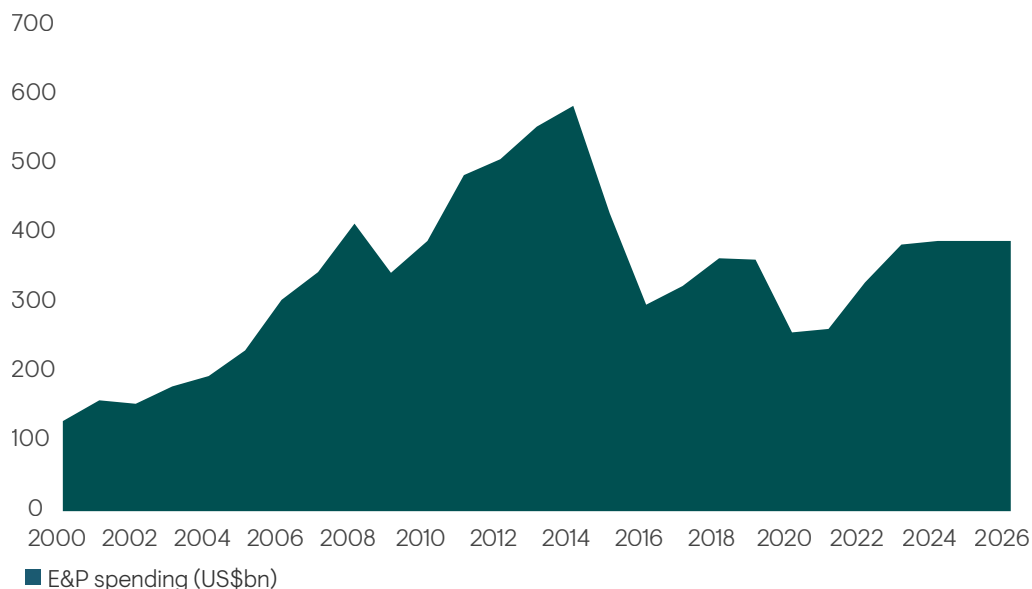
Not another commodity supercycle

Today's environment is distinct from the commodity supercycle of the 2000s. That cycle was dominated by an extraordinary demand shock as China's rapid industrialisation and urbanisation consumed vast quantities of energy and raw materials. Today's cycle is more nuanced: the demand picture is solid (AI, data centres, electrification and infrastructure provide a tailwind), but the real differentiator is the supply side.

Following years in which aggressive investment in new production frequently destroyed shareholder value and ultimately created excess supply, natural-resource companies have become considerably more disciplined. Investors have increasingly demanded that companies prioritise returns over production growth, generate free cashflow and return capital through dividends and share buybacks.

The following chart shows upstream investment by oil & gas companies since 2000. Current investment remains below the levels reached in the early 2010s, suggesting capital discipline. Even with the higher oil prices of this year, we have not seen a significant supply response from the E&P sector.

Figure 2: Upstream investment by oil & gas companies since 2000



Source: Barclays, Ninety One, September 2026.

This does not look like just another commodity supercycle. The 2000s were fundamentally a China demand story. This time, new sources of demand — including AI and data centres — are meeting a much more constrained supply response as companies remain disciplined about adding production.

In some respects, this is the revenge of the old economy. Markets have spent years focused on the increasingly intangible economy, but the technologies expected to define the future still have to be built and powered. That requires energy, metals and physical infrastructure.

A different starting point

The improving structural backdrop comes after a prolonged period in which commodities have derated significantly relative to equities. The ratio of the Bloomberg Commodity Index to the Dow Jones Industrial Average¹ remains towards the lower end of its long-term historical range, highlighting the extent to which commodities have fallen out of favour relative to equities.

Figure 3: Commodities and natural resource equities derating: ratio of Bloomberg Commodity Index to Dow Jones Industrial Average



Source: Bloomberg, Ninety One, 30 June 2026.

Natural resources have spent a long period out of favour, but the fundamental backdrop is changing. Resource security is becoming more important, new sources of demand are emerging and supply remains disciplined. What makes that particularly interesting for investors is the starting point: expectations and valuations are fairly low versus history.

1. For more information on indices, please see the Important information section.

Cashflows today, not tomorrow

The investment case for natural resource equities is not solely dependent on higher commodity prices. It is also about the companies producing them.

Many companies that have led equity markets in recent quarters are effectively long-duration assets, with a significant proportion of their value dependent on profits expected far into the future. Natural-resource companies frequently look different. Many are generating substantial cashflows today. Growth may be lower than in some parts of the equity market, but these companies are producing cash, paying dividends and buying back shares rather than relying on profits many years into the future.

Figure 4: Commodity companies are rewarding shareholders

Free cashflow yield (%)



Source: Bloomberg, Ninety One, September 2026. For more information on indices, please see the Important information section.

Natural resources remain cyclical, however, and higher commodity prices are not unambiguously positive. Prices that rise far enough to weaken economic activity can ultimately destroy demand, making valuation, cost position and security selection critical. But the structural backdrop has changed.

The demand outlook is buoyed by a desire to hold more inventory in a fragmenting global economy, and by the AI mega-theme which requires metals and energy to power it. Meanwhile, on the supply side, miners and drillers remain disciplined. The ethereal world needs the material world. The future may be digital, but it will still have to be built, powered and mined.

Important information

This is a marketing communication for professional investors only. Past performance should not be taken as a guide to the future. Investment involves risks; losses may be made.

The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness (ESG-related data is still at an early stage with considerable variation in estimates and disclosure across companies. Double counting is inherent in all aggregate carbon data). Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Prospective investors should consult their tax advisors before making tax-related investment decisions.

Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2026 Ninety One. All rights reserved. Issued by Ninety One, September 2026.

Indices

Indices are shown for illustrative purposes only, are unmanaged and do not consider market conditions or the costs associated with investing. Further, the manager's strategy may deploy investment techniques and instruments not used to generate Index performance. For this reason, the performance of the manager and the Indices are not directly comparable.

If applicable, MSCI data is sourced from/copyright of MSCI Inc., MSCI Solutions LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties"). Please note an important disclaimer applies to MSCI data and can be found at: Notice and Disclaimer for Reporting Licenses | MSCI. For regulatory disclosures mandated under the EU ESG Rating Activities Regulation (Regulation (EU) 2024/3005), please visit www.msci.com/legal/sustainability-and-climate-resources-and-disclosures for methodology and organizational disclosures and <https://one.msci.com> for rating level disclosures.

Australia

Level 28 Suite 3, Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Telephone: +61 2 9160 8400
australia@ninetyone.com

Botswana

Plot 64289, First floor
Tlokweng Road, Fairgrounds
Gaborone
PO Box 49
Botswana
Telephone: +267 318 0112
botswanaclientservice@ninetyone.com

Channel Islands

PO Box 250, St Peter Port
Guernsey, GY1 3QH
Telephone: +44 (0)1481 710 404
enquiries@ninetyone.com

Germany

Bockenheimer Landstraße 23
60325 Frankfurt am Main
Telephone: +49 (0)69 7158 5900
deutschland@ninetyone.com

Hong Kong

Suites 1201-1206, 12/F
One Pacific Place
88 Queensway, Admiralty
Telephone: +852 2861 6888
hongkong@ninetyone.com

Luxembourg

2-4, Avenue Marie-Thérèse
L-2132 Luxembourg
Telephone: +352 28 12 77 20
enquiries@ninetyone.com

Namibia

Am Weinberg Estate
Winterhoek Building
1st Floor, West Office
13 Jan Jonker Avenue
Windhoek
Telephone: +264 (61) 389 500
namibia@ninetyone.com

Netherlands

Johan de Wittlaan 7
2517 JR Den Haag
Netherlands
Telephone: +31 70 701 3652
enquiries@ninetyone.com

Singapore

138 Market Street
CapitaGreen #27-02
Singapore 048946
Telephone: +65 6653 5550
singapore@ninetyone.com

—

www.ninetyone.com

Telephone calls may be recorded for training, monitoring and regulatory purposes
and to confirm investors' instructions.
For more details please visit www.ninetyone.com/contactus

South Africa

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)21 901 1000
enquiries@ninetyone.com

Sweden

Västra Trädgårdsgatan 15,
111 53 Stockholm
Telephone: +46 8 502 438 20
enquiries@ninetyone.com

Switzerland

Dufourstrasse 49
8008 Zurich
Telephone: +41 44 262 00 44
enquiries@ninetyone.com

United Kingdom

55 Gresham Street
London, EC2V 7EL
Telephone: +44 (0)20 3938 1900
enquiries@ninetyone.com

United States

Park Avenue Tower, 65 East 55th Street
New York, 10022
US Toll Free: +1 800 434 5623
usa@ninetyone.com