The original minecraft

The commodity supercycle may be back but it's all about the shopping list.

Update
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As the saying goes, all that glitters is not gold, but 2025 proved otherwise, with the shiny metal rocketing by more than 60%. Silver may not be quite so beloved of Olympians and rappers, yet it won the race with a 140% rise – perhaps that wedding cutlery gathering dust in the sideboard wasn't such a bad call after all.

Precious metals may have monopolised the headlines, but the rather less glamorous steel took the honours in 2021 with a 120% gain, while iron ore did even better in 2020. Gold, meanwhile, has posted negative returns in three of the past ten years, and struggled to top 20% in another five.

Metals may sit in the same bucket, but they behave very differently, making it hard for investors to capture the regular shifts in leadership. A broad commodities ETF is the Route One option, though winners are offset by laggards. In addition, exposure is capped at the underlying price rather than the operational leverage miners can offer, with the MSCI ACWI Select Gold Miners Index rising 155% in 2025, more than twice gold's 60% return.

This is where active management earns its keep: instead of blanket exposure, specialist managers can target the strongest demand and supply drivers and the mining companies best placed to benefit.

Digging for victory

Technology firms can turn out new products in a matter of months, whereas mining companies generally operate on 15-20year lead times for new mines, while also wrestling with declining grades, geopolitics and dependence on one or two commodities. In a sector where supply and demand dynamics can shift quickly, this lack of flexibility leaves investors hitching their fortunes to a slow turning tanker.

BlackRock World Mining (BRWM) aims to offer a 'virtual mining company' for investors, spanning precious and industrial metals, single asset names, explorers and diversified producers. This breadth gives managers the flexibility to adjust allocations as conditions evolve.

Evy Hambro and Olivia Markham draw on their combined five decades of experience to assess commodity price outlooks, encompassing regional demand and supply factors, geopolitics, policy developments and the broader macroeconomic backdrop.

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Demand drivers vary widely across the universe: gold's run has been fuelled by fiscal deficits, currency aversion and central bank buying, while silver has been buoyed by solar build-out and a persistent supply deficit running down inventories. Copper is central to the net-zero transition and AI boom, while hyperscalers are looking to uranium to power energy-hungry data centres.

On the supply side, copper has faced significant disruption, with declining grades and ageing assets pushing producers into tougher jurisdictions with higher build costs. Silver supply remains tight, with flat output and heavy reliance on by-product mining. China's dominance in steel, rare earths and (to a lesser extent) iron ore also exposes supply chains to policy and geopolitical shifts.

The final overlay is company-specific drivers. Key criteria include the quality of the mining assets, balance sheet and capital discipline and the ability to turn higher commodity prices into cash flow. The managers also assess the scope for value creation through reserve growth, production gains or selective acquisitions, which can create meaningful efficiencies and cost savings.

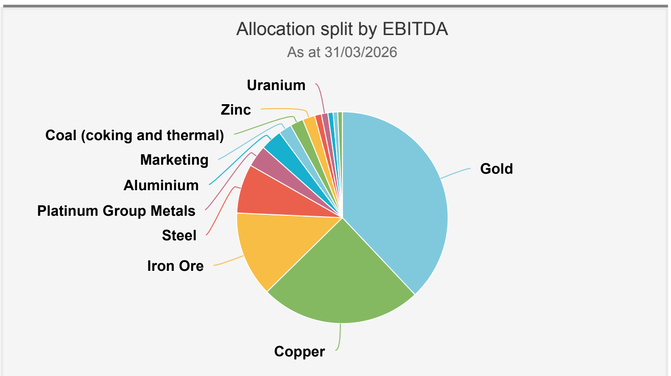
Evy and Olivia are supported by the on-the-ground insight from the wider BlackRock team, from mine visits to third party research. This expertise is critical in assessing operational optionality in terms of which areas to mine, whether to extend mine life or defer undeveloped resources until commodity prices or financing conditions improve.

The litmus test

The proof of the pudding is in the numbers, with BRWM delivering a one year share price total return of 76% (as at 30/06/2025), versus 57% for the benchmark index. This is a clear demonstration of the value of an active strategy over passive exposure, with the managers adjusting portfolio allocations to capture the strongest growth drivers.

As shown in the chart below, the trust offers diversified exposure across both precious and industrial metals, with gold currently accounting for the highest weighting. Copper is the second-highest exposure, underpinned by structural drivers spanning economic growth, the energy transition, defence modernisation and the AI roll-out. Demand is forecast to rise by nearly 50% between 2025 and 2040, according to S&P Global, opening up a substantial supply gap.

Fig.1: BRWM Offers Well-Balanced Exposure Across The Metals Sector



Source: BlackRock

The benefit of an active approach was demonstrated in the increase in allocation to gold miners from 22% to almost 40% during 2025, as rising prices fed through to higher margins, cash flow, dividends and buybacks. However, the managers remain mindful of the downside risk from cost inflation, retaining the flexibility to shift from gold miners to physical gold if needed.

China was another case in point, with the managers positioning the portfolio to reflect the bifurcation in Chinese demand. On the upside, they saw strong appetite for copper and aluminium from renewables, grid upgrades and EV manufacturing, but trimmed iron ore and steel exposure in response to softer property and infrastructure demand.

This flexibility also extends across the capital structure, with the option to invest directly in commodities, mining equities and unquoted companies. BRWM can also generate an additional income stream from option writing, debt securities and royalties. Income has accounted for half of the total return over the last five years, helping to limit downside risk if a rally stalls or the economic outlook deteriorates.

Looking ahead, investors are rediscovering the appeal of HALO (heavy assets, low obsolescence) after a decade dominated by capital-light business models. These tangible assets underpin critical infrastructure across energy, industry and defence, offering durability, pricing power and strategic relevance as governments move to secure the supply of critical materials.

AI may be revolutionising the corporate world, but it can't replace a copper mine, steel mill or power grid. BRWM's virtual mining company strategy is well-positioned to capture the most favourable dynamics across the metals universe, as well as the long-term mega-trends of AI and the energy transition.

View the latest research note here

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