2025 Commodity Outlook

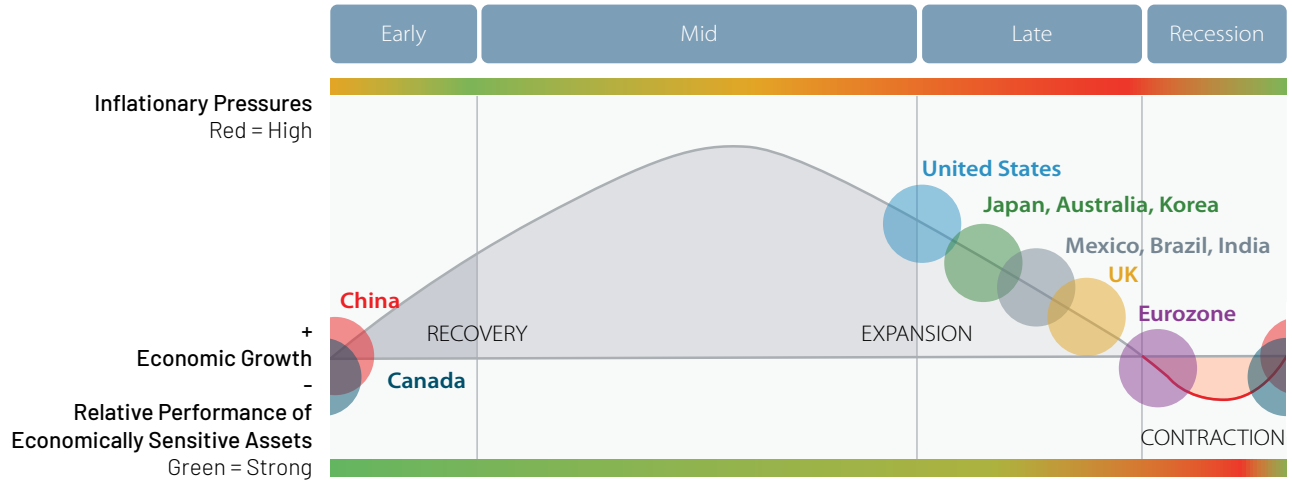
February 2025

As we begin 2025, major political and policy changes around the world will reverberate throughout the commodity markets. The return of the Trump administration is expected to usher in a variety of policies, including tariffs, major policy shifts towards other nations including Iran, Russia, Canada, Venezuela and Mexico along with a retreat from global climate accords and massive initiatives in tech infrastructure. With rising trade frictions, there is increasing demand for strategic nearshoring to avoid supply disruptions. As a result, nations will be spending significantly more on domestic infrastructure and technologies: focusing on securing the critical raw materials that are necessary for these efforts. Whether it is energy and metals required to fuel the expansion of artificial intelligence (AI) or investments in precious metals as a hedge against rising deficits, the prospects for many commodities and natural resource equities as portfolio diversifiers look ever more compelling for 2025.

Macro

While some major economies, notably those within the EU, are experiencing economic difficulties and approaching contraction zones (Figure A), the direction of the most populous nations, and the largest consumers of commodities in the world, remain entrenched in the expansionary or recovery phase. Characteristics of these phases include stable and/or increasing growth, increasing capacity utilization and rising inflation.

Figure A – Global Business Cycle[1]



The potential transition of the Chinese economy from late-stage contractionary to early-stage expansionary could unlock additional commodity demand. Chinese government efforts over the last decade to promote a more balanced and stable growth trajectory would suggest that the accelerated growth rates of the 2000s are a thing of the past. Despite the economic slowdown, the World Bank still estimates that China grew by 4.9% in 2024.[2] With the additional pressures of a slowdown in their property sector, a curtailment in energy and metals consumption out of the region could have been expected. However, that has not been the case as industrial demand has been resilient; likely well supported by China's efforts to develop infrastructure and focus on higher-value industrial manufacturing capacity in electric vehicles and electronics. If China's economy were to shift into a higher gear, the incremental demand for natural resources could tighten the supply/demand balance for commodities further.

In many respects, including population size, overall GDP size and growth rates, the India of today looks increasingly like the China of the early 2000s. While China's economy is relying on monetary and fiscal stimulus efforts to reinvigorate demand, India's economy has been rapidly expanding driven by strong domestic consumption.[3] This has resulted in strong broad-based demand for energy, metals and agricultural products. Despite some recent moderation in growth due to abnormally high monsoon rains, spending cutbacks during their election cycle and global supply chain issues weighing on exports, the trends that are emerging still paint a strong picture. The services sector of the economy continues to expand, underlying the strength in the middle-income urban populations. Similar to China, India has been focusing on increasing higher-value manufacturing exports such as electronics, engineering equipment and chemicals. Equally important is that rural consumption is strengthening as increasing agricultural output has been driving rising incomes. This has resulted in higher sales of consumer goods and tightening of labor conditions within these regions, which is important as the economic benefits broaden out to other much needed parts of their economy.

---

[1] *Source: Fidelity Investments, Quarterly Business Cycle Update (Q1 2025), January 2025*
[2] *Source: World Bank Group, China Economic Update - December 2024: Reviving Demand, Regaining Momentum, December 2024*
[3] *Source: Deloitte Global Economics Research Center, India Economic Outlook, January 2025*

Africa, home to 1.5 billion people, is playing an increasingly important role in both commodity supply and demand. The continent is a major source of materials such as cobalt, uranium, gold and others which are critical to technological innovation; it is also a growing oil producer. Senegal, South Sudan, Niger, the Ivory Coast, Ethiopia, Zambia, Rwanda, Libya, Benin and Uganda are among the top 20 fastest growing nations in the world for 2025 according to the International Monetary Fund (IMF).[4] As these economies continue to benefit from external investments and the unlocking of oil, mineral and agricultural resources, it is likely that consumption patterns will shift dramatically as their living standards increase. With a young and skilled labor force, we may expect increased migration and urbanization. The governments of many of these countries, which are currently heavily reliant on commodity exports, will need to prioritize economic diversification and industrialization in the years ahead.

Finally, within the US, as the new administration steps into office, the emphasis on an "America first" agenda has directed the commodity market's attention towards tariffs, energy policy, infrastructure and technology investments. With a ballooning US fiscal balance sheet, existing geopolitical conflicts and rising trade discourse, the main challenge may be where to find funding for all the promised campaign initiatives: what programs to cut and where to invest for the longer term. While still in its early stages, the US has already declared a national energy emergency that is designed to boost fossil fuel development to meet the anticipated demand from another of the new administration's priorities – building out its AI capabilities.

Currently, many of the global superpowers are working towards building out a competitive advantage in these new technologies. As the world enters its next industrial revolution, the priority will be securing the necessary resources that are critical to these efforts. It is likely that strategic relationships will be tested over the foreseeable future as countries may limit access and capitalize on their most valuable resources. Given the significant energy requirements that are expected and the abundant need for key commodities that are typically produced in higher risk areas of the world, prices for many of these resources are likely to be more volatile as competition for access rises.

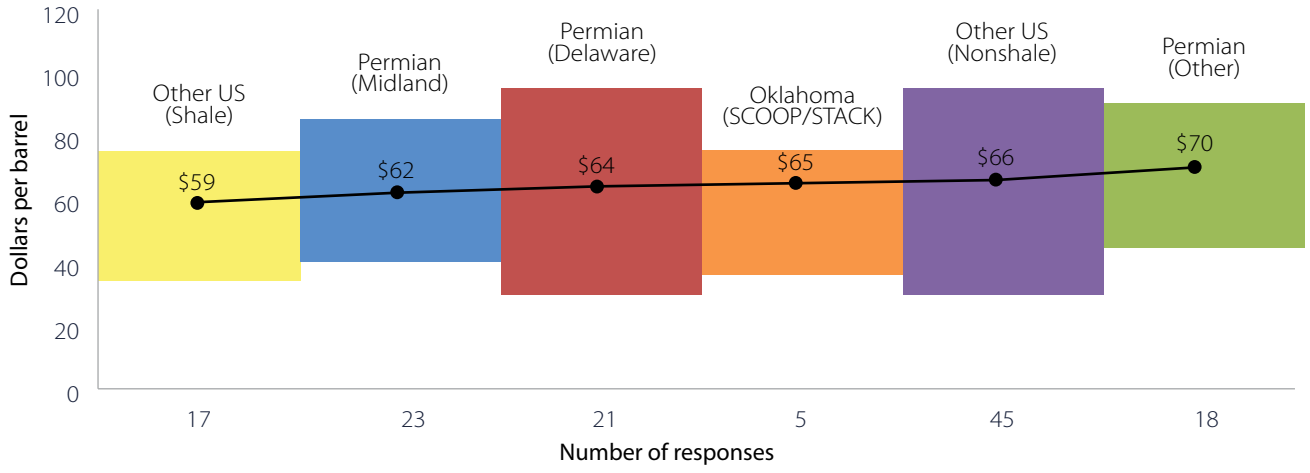
Energy

Looking ahead, multiple competing factors are expected to impact energy prices, aside from geo-political risks and the OPEC+ dynamic, including the incoming Trump administration's policy objectives, accelerating electricity demand and the maturation of US shale production. Within the geo-political arena, significant oil price risk still exists as tensions in the Russia-Ukraine War may intensify even as the new US administration pursues a resolution. In addition, sanctions against Iran, given the ongoing tensions between its regional proxies and Israel, could curtail oil balances further.

The US shale industry is showing signs of maturation. Annual production growth has slowed to 300 kilobarrels per day (kbd), less than half the 15-year average rate. In fact, total US oil production at the start of 2025 is only marginally higher than in February 2020, just before the outbreak of the global COVID-19 pandemic. The depleted inventory of pre-drilled wells, which previously supported record production levels, suggests future growth will rely on either existing wells with high depletion rates or new wells requiring six to nine months of lead time. This structural shift is significant given US shale's historical contribution of 90% to non-OPEC supply growth. Current inventories of crude, gasoline and distillate have already declined over 20% in the past four years and now sit at multi-year lows, despite the aggressive release of strategic reserves following the invasion of Ukraine.

The new US administration has already declared a national energy emergency, unlocking the potential for further energy development on federal lands and streamlining the permitting process for energy infrastructure and fossil fuel production. While the goal is to maintain long-term energy price stability, the economics associated with drilling a new well would suggest that prices need to increase significantly in order to attract investment capital to these new ventures. In a 2024 Dallas Federal Reserve survey, participating firms indicated that an average oil price of $64 per barrel would be needed in order to profitably drill a new well from within existing producing regions (see Figure B).[5] In the same survey, producers acknowledged that the average price per barrel needed to cover operating expenses from an existing producing well averaged $39 per barrel. This underscores why recent mergers and acquisitions (M&A) activity has been centered on companies with productive assets. It is much more profitable to invest in areas with proven reserves than to explore new areas for untapped oil. We believe that the market would necessitate a much higher and sustainable average oil price before new Greenfield projects would be undertaken.

Figure B – Price Needed to Profitably Drill a New Well[5]



[4] *Source: International Monetary Fund, World Economic Outlook Database, data accessed January 2025*

[5] *Source: Federal Reserve Bank of Dallas, Dallas Fed Energy Survey, March 27, 2024*

While Chinese oil demand eased in 2024, global consumption expanded, with India emerging as the key marginal consumer accounting for 25% of total oil consumption growth. India's growth trajectory is supported by demographic trends and increasing living standards, with demand shifting toward lighter varieties like jet fuel, naphtha and petrochemical feedstocks. Finally, given continued geopolitical tensions, we can expect many governments, including the US, will look to rebuild strategic reserves to manage potential future price shocks.

Turning to natural gas, several structural factors support a constructive outlook. Export capacity is set to more than double from 11 billion cubic feet per day (Bcf/d) in 2023 to 24 Bcf/d by 2028, with recent facility openings in Louisiana (Plaquemines) and Texas (Corpus Christi). Over the next few years, this continued expansion will likely pressure domestic availability and force price convergence with traditionally higher international benchmarks, which currently trade at four times the prices of US Henry Hub. Global and domestic gas and liquefied natural gas (LNG) demand is expected to increase due to transport electrification, proliferating data centers, crypto mining operations, AI development and rising living standards. The global power demand outlook remains a key driver: it's projected to grow from 30,000 terawatt-hours (TWh) to 70,000 TWh by 2050.[6] Meanwhile, US dry natural gas production declined in 2024 – one of only three annual declines in two decades – as sustained low prices dampened drilling activity. This supply constraint coincides with rapidly expanding baseload power demand. The cessation of subsidies for renewables announced by the new US administration will likely increase the call upon natural gas as the primary source of power production over the next several years. As gas and LNG export demand rises, the ability to maintain a sufficient buffer of supply in the face of rising US exports will likely impact price volatility going forward.

Agriculture

On the agricultural front, global food demand is projected to grow by over 50% by mid-century to meet the needs of an additional two billion people. That is occurring at a time when more than 100 million hectares of productive agricultural land – an area roughly the size of Texas – is being degraded each year.[7] Excessive fertilizer use, deforestation, overgrazing by livestock and natural weather phenomena all contribute to the problem. In terms of climate, 2024 was the hottest year on record by a substantial margin. In a 2024 global farmers industry survey sponsored by Bayer, a leading supplier of agricultural chemicals, 75% of the respondents were experiencing or were concerned about climate change, with 71% expecting reduced yields and 61% experiencing significant revenue loss.[8]

The challenges facing farmers in the year ahead do not appear to be waning. In the US, farmers have already experienced reduced incomes, declining margins and depressed prices due to a strong US dollar and lower market share. With the prospects of further tariffs, the US agricultural trade deficit is expected to rise even more from 2024 levels. If President Trump's first term in office serves as a guide for what may be expected, retaliatory tariffs imposed by China cut American agriculture sales by roughly $27 billion between the Summer of 2018 and the end of 2019. To this day, US crops continue to lose market share to Brazilian and Argentinian farmers, with China soy and corn purchases declining 22% and 62% from the previous marketing year, respectively. During the 2019 to 2020 period, US government assistance accounted for 40% of farmers' incomes to help reduce the impact from the tariffs as well as COVID-19. The Agricultural Improvement Act of 2018 (also known as the US Farm Bill) expired in 2023 and has yet to be renegotiated; however, a one-year last minute extension of the bill was passed last December. The previous bill significantly impacted farmers by providing enhanced crop insurance options, support for new farmers, funding for research projects and improvements in risk management programs. Garnering additional government support to aid farmers in the years ahead may be even more challenging given rising US deficits and the new US administration's promises of tax cuts, increased tariffs and major technology and infrastructure development initiatives. In addition, new US immigration reform measures may further escalate farmers' input costs. For an industry where the average laborer is now 60 years old and labor ranks among the leading drivers of cost inflation, the new rules will likely deteriorate farmer balance sheets further. As a result of these various uncertainties, farmers are cutting back on spending: reducing purchases of fertilizers and pesticides, moving to generic brands or even curtailing their use altogether. These factors, amongst others, may ultimately decrease agricultural output overall.

Metals

During the last bull market cycle for commodities from the early 2000s up to 2007, an expanding Chinese economy drove metals and broad-based commodity demand, causing global GDP to accelerate from 2% to 4.5%. In the years ahead, we will witness another industrial revolution; one with many nations racing to reconfigure their economies all at the same time. These developments include expanding the connectivity of the "Internet of Things" (IoT), energy efficiency and independence, the near-shoring of production, automation and data-driven decision-making. These initiatives will drive a substantial demand shift for the industrial, precious and specialty metals that are the primary inputs for these technologies. This is in addition to the required resources that are already needed to maintain and run their existing economies.

One does not need to look further than copper to get an idea of the potential supply shortfall going forward. Its significance cannot be understated as a driver of economic growth. Not only is it a primary input to durable goods and products that enhance living standards, but also to the factories and electrical grids that are responsible for their manufacturing. This is especially true for emerging market economies, which account for 5.4 billion people (forecasted to grow to 8 billion by 2050) versus the 1.2 billion in developed nations. As these developing nations continue to grow, the demand for higher living standards will translate to greater demand across all raw materials, but especially for copper. Consider that India's per capita electricity consumption in 2023 was only 20% of that of China. As economic prosperity rises, so will demand for these important base metals.

Copper demand is also expected to increase significantly due to the ongoing global energy transition as well as the race to develop and support AI infrastructure. Global efforts to reduce carbon emissions, particularly in transportation, suggest that the need for electrification from renewable (e.g., solar and wind) and more efficient sources (e.g., nuclear) will continue to grow. While the US has announced plans to de-emphasize climate initiatives, they have made clear that they will look to heavily incentivize the development of AI. The US is not alone in these efforts, as other major economies are also seeking a competitive advantage. With the expected increase in demand for data infrastructure worldwide, more industrial and specialty metals

[6] *Source: Enerdata, Energy and Emissions Projections 2050 – EnerOutlook, 2024 Edition*
[7] *Source: United Nations Convention to Combat Desertification, October 2023*
[8] *Source: Bayer, The Farmer Voice supported by Bayer, 2024*

will be required to develop the hardware and connect the data centers to the electric grids to support AI's growing appetite to consume and process more and more data.

All these initiatives will likely require a significant amount of fiscal stimulus and public investment, in addition to private capital. Those economies electing fiscal conservatism may pay a higher price much later as their economies stagnate. However, for those nations willing to commit the necessary capital, there is the risk of already ballooning balance sheets getting stretched even further. The IMF expects global public debt to exceed $100 trillion, or 93% of global GDP, in 2024 and approach 100% of GDP by 2030.[9] There are concerns that these estimates could even be exceeded as increasing geopolitical conflicts, climate and natural disasters and de-globalization creates more spending and funding volatility. This could lend further support to precious metals, such as gold and gold miners, as a hedge against de-valuation risks.

Closing Comments

In conclusion, as we enter 2025, we expect global political complexities, ongoing geopolitical tensions, climate challenges and economic pressures to drive strategic near-shoring and significant investments in infrastructure and technology: increasing demand for critical raw materials. Major economies like China and India are expected to play pivotal roles in commodity demand, while Africa's growing economies present both opportunities and challenges. In the US, the new administration's focus on energy policy, infrastructure and AI development underscores the critical role of energy and commodities. Agriculture faces uncertainties from climate change and trade tensions: impacting food security and price volatility. The anticipated industrial revolution, driven by advancements in AI, IoT and sustainable energy, will likely spur significant demand for base, precious and specialty metals. Overall, the interplay of geopolitical, economic and technological factors suggests a dynamic landscape for commodities and natural resources in 2025, presenting compelling opportunities for investors.

CoreCommodity Management, LLC

[9] *Source: International Monetary Fund, Fiscal Monitor October 2024: Putting a Lid on Public Debt, October 2024*

Important Disclosures & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus containing this and other information, call 1-866-759-5679 or visit www.alpsfunds.com. Read the prospectus carefully before investing.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemable.

All investments are subject to risks, including the loss of money and the possible loss of the entire principal amount invested. Additional information regarding the risks of this investment is available in the prospectus.

The ALPS | CoreCommodity Natural Resources ETF is new and has limited operating history.

Diversification does not eliminate the risk of experiencing investment losses.

ALPS | CoreCommodity Management CompleteCommodities Strategy Fund Risks: the commodities markets and the prices of various commodities may fluctuate widely based on a variety of factors. Because the Fund's performance is linked to the performance of highly volatile commodities, investors should consider purchasing shares of the Fund only as part of an overall diversified portfolio and should be willing to assume the risks of potentially significant fluctuations in the value of the Fund. The Fund invests in commodity futures related investments, which are derivative instruments that allow access to a diversified portfolio of commodities without committing substantial amounts of capital. Additional risks of commodity futures related investments include liquidity risk and counterparty credit risk. Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Counterparty risk is the risk that a party to a transaction will fail to fulfill its obligations. The term is often applied specifically to swap agreements in which no clearinghouse guarantees the performance of the contract. Another principal risk of investing in the Fund is equity risk, which is the risk that the value of the securities held by the Fund will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate or factors relating to specific companies in which the Fund invests. The Fund's investments in non-US issuers may be even more volatile and may present more risks than investments in US issuers. Equity investments in commodity-related companies may not move in the same direction and to the same extent as the underlying commodities.

ALPS | CoreCommodity Natural Resources ETF Risks: the Fund's investments in securities of natural resource companies involve risks. The market value of securities of natural resource companies may be affected by numerous factors, including changes in overall market movements; economic, geographical or financial events; events occurring in nature; inflationary pressures; and domestic and international politics. Because the Fund invests significantly in natural resource companies, there is the risk that the Fund will perform poorly during a downturn in the natural resource sector. Certain natural resources may be produced in a limited number of countries and may be controlled by a small number of producers. As a result, political, economic and supply related events in such countries could have a disproportionate impact on the prices of such natural resources and the value of securities of companies involved in such natural resource. Another principal risk of investing in the Fund is equity risk, which is the risk that the value of the securities held by the Fund will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate or factors relating to specific companies in which the Fund invests. The Fund's investments in non-US issuers may be even more volatile and may present more risks than investments in US issuers. Equity investments in natural resources-related companies may not move in the same direction and to the same extent as the underlying natural resources.

ALPS | CoreCommodity Management CompleteCommodities Strategy Fund Advisers and Affiliation: ALPS Advisors, Inc. and CoreCommodity Management, LLC are registered with the CFTC as the Commodity Pool Operator and, respectively, as the Commodity Trading Advisor. Both ALPS Advisors, Inc. and CoreCommodity Management, LLC are NFA members. ALPS Advisors, Inc. and CoreCommodity Management, LLC, registered investment advisers with the SEC, are the investment adviser and sub-adviser to the Fund, respectively. ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with CoreCommodity Management, LLC. CoreCommodity Management, LLC serves as investment adviser to the Fund's Cayman Islands subsidiary. "CompleteCommodities" is a service mark of CoreCommodity Management, LLC.

ALPS | CoreCommodity Natural Resources ETF Advisers and Affiliation: ALPS Advisors, Inc. and CoreCommodity Management, LLC, registered investment advisers with the SEC, are the investment adviser and sub-adviser to the Fund, respectively. ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with CoreCommodity Management, LLC.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Funds.

Not FDIC Insured • No Bank Guarantee • May Lose Value

JCI001107 2/28/2026