# Commodity Equities: Opportunity Knocks

## ALPS | CoreCommodity Natural Resources ETF (Ticker: CCNR)

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### Key Takeaways

- Commodity futures have outpaced commodity-producing equities in 2026, but the gap is concentrated in energy. In the other major sectors, producers have outperformed futures.
- Natural resource equities can complement futures by adding exposure to resources futures indices omit, sensitivity to long-term price expectations, and dividend income.
- If supply disruptions persist and inventories must be rebuilt, longer-dated oil prices may need to rise, which could benefit energy producers.

## Introduction

Commodity futures returns have run well ahead of the companies that produce those commodities this year. The futures-based Bloomberg Commodity Index Total Return (BCOM) rose 32.9% through the first three quarters of 2026. Over the same period, the MSCI ACWI Commodity Producers Total Return Index, which captures mid- and large-cap companies in energy, metals, and agricultural commodity production, returned 24.6% year to date as of September 30. So far in 2026, diversified baskets of natural resource companies have lagged broad-based commodity futures indices and strategies by a significant margin. The coming cycle may present an opportunity for natural resource companies to outperform commodity-based strategies.

## Rationale for Natural Resource Equities as a Complement to Commodity Futures

There are three main reasons to hold a broad portfolio of commodity producers alongside a basket of commodity futures:

1. **Broader exposure** to critical resources that major futures benchmarks do not include.
2. **Sensitivity to both short-term and long-term price expectations.**
3. **A different cash flow profile** from a futures-only program.

There is also a structural point: the same return from a natural resource equities exchange-traded fund (ETF) can be considerably more tax efficient than from a futures-based commodity ETF.

### Broader Exposure to Critical Resources Not Found in Futures Indices

Many commodity indices reference a limited universe of components. The Bloomberg Commodity Index, for example, references 25 commodities. A broader universe of futures trades worldwide, but benchmarks typically require minimum volume and liquidity for inclusion, so many important resources are left out. Steel, the most widely consumed metallic material in the world, is one example. They exclude many resources needed for artificial intelligence (AI) and infrastructure growth, such as rare earths and specialty metals, as well as a growing and diversified global energy profile that includes renewable and alternative supplies. Equities can provide access to these areas.

## Commodity Exposure

| Energy | Agriculture | Industrial Metals | Precious Metals | Others |
|---|---|---|---|---|
| WTI Crude Oil | Corn | Aluminum | Gold | Lumber |
| Brent Crude Oil | Wheat | Copper | Silver | Rubber |
| Unleaded Gasoline | Soybeans, Oil, & Meal | Nickel | Diamonds | |
| Heating Oil | Livestock | Zinc | Platinum | |
| Gasoil | Sugar | Lead | Palladium | |
| Natural Gas | Cotton | Metallurgical Coal | Rhodium | |
| Uranium | Coffee | Iron | | |
| NGLs | Cocoa | Tungsten | | |
| Solar | Orange Juice | Manganese | | |
| Wind | Oats & Barley | Silicon | | |
| | Fish | Steel | | |
| | Nitrogen | Sulfur | | |
| | Phosphate | Tin | | |
| | Potash | Titanium | | |
| | Poultry & Eggs | Cobalt | | |
| | Water | Lithium | | |
| | Canola | | | |
| | Rapeseed | | | |
| | Milk | | | |
| | Rice | | | |

| In BCOM Index | Not in BCOM Index |
|---|---|

*Source: Bloomberg L.P., BCOM compostion as of 9/30/2026*

### Exposure to Short-Term and Long-Term Price Trends

Buying and rolling commodity futures provides near-term, spot-like price sensitivity, which has historically offered diversification benefits alongside other financial assets. Futures have also been highly correlated with changes in inflation.

A company's stock price, by contrast, generally reflects longer-term expectations for profitability. For upstream producers, those expectations depend heavily on the market's forecast for the price, supply, and demand of the underlying raw material well into the future. Combining producers with futures can therefore provide more balanced sensitivity across time horizons than futures alone, which respond mainly to nearby prices.

### Different Cash Flow Profiles

Gaining futures exposure has both costs and benefits. Physical buyers of gold, copper, and oil must bear the cost of holding inventory, and futures investors have borne a similar cost over time. Most commodity markets are broadly balanced between supply and demand most of the time. When supply shocks occur, higher prices have usually encouraged investment in new production that eventually eases the imbalance.

In more normal conditions, longer-dated futures contracts price higher than shorter-dated ones (a condition known as contango), reflecting the cost of holding the commodity to a later date. If price expectations do not change, this cost is borne by the futures holder as the contract's value converges toward the spot price. This cost of carry has historically detracted from commodity futures returns. The opposite condition, backwardation, in which near-dated contracts are more expensive, creates a tailwind for futures holders. That is the situation in oil markets at present.

Producers have a different profile. Established companies that extract raw materials have generally generated positive free cash flow by selling output at prevailing prices and returning a portion of profits to investors. While dividends are not guaranteed, and some producers have cut them in downturns, historically, they have been a meaningful source of income. This income may not offset futures carry directly, but it potentially gives a combined portfolio a source of cash flow that a futures-only program lacks.

Producers also face carry costs differently. Their business is extraction: they sell output to physical buyers (e.g., commodity marketers, trading firms, and commercial users), who may or may not warehouse it. As a group they are not focused on storing resources for long periods, and companies that own producing assets have the cheapest storage available, since the resource can be left in the ground.

## A Bird in the Hand: Why Futures Led in Energy

Portfolios that combine producers and futures have clear advantages, but in periods of supply shock and dislocation, exposure to near-term prices matters most. This year appears to be one of those periods, and futures-based strategies have outperformed equity-based natural resource indices so far. A closer look by sector, however, shows that energy is the only major sector where futures have outperformed their equity counterparts.

| Sector | Index Name | YTD % Chg |
|---|---|---|
| **Energy** | | |
| | MSCI ACWI Select Energy Producers IMI Gross TR | 36.0% |
| | Bloomberg Energy Subindex TR | 86.3% |
| **Agriculture** | | |
| | MSCI ACWI Select Agriculture Producers IMI Gross TR | 19.0% |
| | Bloomberg Agriculture Subindex TR | 17.9% |
| **Industrial Metals** | | |
| | MSCI ACWI Select Metal & Mining ex Gold & Silver IMI Gross TR | 18.6% |
| | Bloomberg Industrial Metals Subindex TR | 11.2% |
| **Gold** | | |
| | MSCI ACWI Select Gold Miners IMI Gross TR Index | 4.9% |
| | Bloomberg Gold Subindex TR | -4.4% |
| **Silver** | | |
| | MSCI ACWI Select Silver Miners IMI Gross TR Index | 3.4% |
| | Bloomberg Silver Subindex TR | -14.7% |

*Source: Bloomberg, as of 9/30/2026*
***Past performance is not indicative of future results.** One may not invest directly in an index.*

In energy, the US/Israel/Iran conflict has drawn down oil and product inventories significantly. Ukraine's strikes on Russian refineries, part of a new phase of the Russia-Ukraine conflict, have added to the strain, and countries are drawing on strategic stockpiles to cover part of the shortfall. The result is steep backwardation in the oil curve. As of September 30, 2026, WTI for December 2026 delivery (CLZ6) was priced at $88.42, nearly $13 above the December 2027 contract (CLZ7) at $75.44. Investors in nearby contracts captured this scarcity premium through positive roll yield and faster rising near-term prices when compared to longer-term prices. Producer equities, whose valuations reflect longer-term price expectations, did not benefit to the same degree. In more normal conditions, the contract expiring a year later trades at a premium to the nearby contract. Outside energy, natural resource companies have outperformed their futures-based counterparts.

## Potential Opportunity

Early in the Iran conflict, markets appeared to price in a quick resolution. Near-dated flows were disrupted, but longer-term oil and product prices did not rise at the same pace, implying an expectation that flows would normalize and balances would loosen.

As we enter the fourth quarter, that assumption looks less certain. US strategic oil reserves continue to be drawn down, the US and Iran appear to be at a stalemate, major Middle East oil infrastructure remains offline, Russian energy production and exports remain uncertain, and tensions between Saudi Arabia and Yemen may be opening a new front. The longer the disruption lasts, the greater the need to refill inventories, and higher longer-term prices may be needed to encourage producers to expand output. If that happens, energy producers could be among the biggest beneficiaries.

## Tax Efficiency: Equity ETFs vs. Futures-Based Commodity ETFs

Generally, ETFs registered under the Investment Company Act of 1940 are more tax efficient than mutual funds of the same strategy. In most circumstances, the in-kind creation and redemption process allows ETFs to deliver out securities in a redemption event instead of selling securities and distributing any capital gains. Investors realize gains mainly when they sell their ETF shares.

Mutual funds, by contrast, generally lack the ability to deliver out securities during a redemption event. To raise cash, mutual funds may need to dispose of securities. Any net realized gains from sales of stocks and bonds within mutual funds, after accounting for carry-forward losses, need to be distributed back to investors each year. In both ETF and mutual fund structures, dividends and interest income are distributed annually and taxed at the investor's applicable rate.

Futures-based commodity ETFs are a special case. Commodity futures are overseen by the Commodity Futures Trading Commission (CFTC) rather than the Securities and Exchange Commission (SEC) and are not "securities" under the Investment Company Act of 1940. To qualify as a registered investment company (RIC) under Internal Revenue Service (IRS) rules, a fund must derive at least 90% of its gross income from securities-related sources. A fund that fails this test can be taxed twice on the same income, once at the fund level and once again at the investor level.

To avoid this, RICs typically gain commodity futures exposure through wholly owned Cayman Islands subsidiaries, known as controlled foreign corporations (CFCs). Net profits earned annually from net gains realized inside the CFC are passed through to the parent fund and ultimately to investors as ordinary income, adding to any tax liability from the dividends and or interest payments. As a result, the tax liability from gains realized in a futures-based commodity ETF can be much higher than that of comparable gains in a natural resource equities ETF.

The chart below illustrates the difference between income distribution of the futures-based commodity ETFs vs. natural resource equities ETFs. Over the last five years through the end of September 30, 2026, an equally weighted portfolio of the largest K-1 free futures-based ETFs (based on 9/30/2026 AUM) would have returned 12.8% per annum, of which 12.1% would have been returned back to investors via an income distribution.

However, over the same period, an equally weighted portfolio of the largest natural resource equities ETFs would have returned 13.9% per annum, yet the annual income distribution would have only been 3.4%. The potential tax consequences, especially in periods of significant returns, can be substantially different.

| | Annualized Total Return | Annualized Distribution |
|---|---|---|
| Equally Weighted Portfolio of 4 Largest K-1 Free Broad Futures-Based Commodities ETFs | 12.8% | 12.0% |
| Equally Weighted Portfolio of 4 Largest Natural Resource Equities ETFs | 13.9% | 3.1% |

*Source: Bloomberg and CoreCommodity Management. Analysis is based on the 4 largest ETFs in the category as of 9/30/2026 with at least a 5 year historical track record. K-1 Free Futures-Based Commodities ETFs represent equally weighted basket of PDBC, BCI, FTGC, and COMT. Natural Resource Equities ETFs represent equally weighted basket of GUNR, GNR, IGE, and HAP.* ***Past performance is not indicative of future results.***

## Conclusion

The 2026 gap between commodity futures and producer equities appears to be driven largely by energy, where nearby contracts captured an acute scarcity premium. Outside energy, natural resource companies have outperformed their futures-based counterparts. If supply disruptions persist and inventories must be rebuilt, longer-dated prices may rise, which could benefit energy producers, in particular.

Pairing producers with futures can create a more complete commodity allocation, with broader access to critical resources, sensitivity to both near-term and long-term price expectations, and dividend income. Equity ETFs may also offer a more favorable tax profile than futures-based ETFs. For investors considering an allocation to commodities, a strategy that employs natural resource equities may be worth considering.

## ALPS | CoreCommodity Natural Resources ETF Performance as of 9/30/2026

| | 1 M | 3 M | YTD | 1 Y | SI |
|---|---|---|---|---|---|
| NAV (Net Asset Value) | -7.47% | 4.43% | 17.77% | 30.68% | 24.21% |
| Market Price | -7.62% | 3.63% | 17.70% | 30.36% | 24.11% |
| Bloomberg Commodity Index - TR | 0.61% | 16.19% | 32.87% | 40.64% | 21.68% |

***Performance data quoted represents past performance. Past performance is no guarantee of future results so that shares, when redeemed, may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. For current month-end performance call 1-866-759-5679 or visit www.alpsfunds.com. Performance includes reinvested distributions and capital gains.***

*Market Price is based on the midpoint of the bid/ask spread at 4 p.m. ET and does not represent the returns an investor would receive if shares were traded at other times.*

*Fund inception date: 7/10/2024*

*Total Operating Expenses: **0.39%***

*30-Day SEC Yield as of 9/30/2026: 2.04%*

## 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.***

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*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.*

*Diversification does not eliminate the risk of experiencing investment losses.*

*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.*

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*Bloomberg Commodity Index (BCOM): an unmanaged index used as a measurement of change in commodity market conditions based on the performance of a basket of different commodities.*

*FTSE / CoreCommodity CRB Index (FTSE / CC CRB): a basket of 19 commodities, including energy contracts, agriculture, precious metals, and industrial metals, the Index acts as a representative indicator of commodity markets.*

*One may not invest directly in an index.*

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