Janus Henderson
INVESTORS

THE CASE FOR
Global Natural Resources

Investing in the foundations of global growth

Marketing communication. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

KEY TAKEAWAYS

- Strategic source of capital appreciation: Natural resources equities provide long-term growth through ownership of essential assets, rising replacement costs and disciplined reinvestment, rather than through short-term commodity timing.
- Diversification: Earnings are driven primarily by physical supply, depletion and demand, offering diversification versus growth-dominated and rate-sensitive equity sectors over full cycles.
- Structural tailwinds: Multi-decade forces such as electrification, infrastructure investment and energy security support long-duration demand for natural resources, favouring sustained equity ownership.

Global natural resources equities have tended to be a modest allocation but play a strategically important role in global equity portfolios. While the asset class is often viewed through commodity cycles, natural resources have the capacity to deliver long-term capital appreciation through ownership of scarce, productive real assets, with returns that compound over full investment cycles.

Natural resources equities derive long-term return potential from ownership of assets whose economic value rises as resources are depleted and replacement costs increase. This supports real earnings growth, reinvestment and value compounding, positioning the sector as a strategic source of capital appreciation. Similar to other capital-intensive sectors, patient long-term ownership is essential to capture full-cycle returns.

Commodities looks set to benefit from 'Supercycle 2.0' – structural changes are reshaping the global economy, driven by reindustrialisation, decarbonisation, AI adoption and the reconfiguration of global supply chains. These trends are prompting a decisive shift in how governments and companies deploy capital. At the centre of this transformation lie natural resources—renewing the strategic rationale for investors to engage with an asset class increasingly aligned with long term growth and resilience.

Defining global natural resources equities

Global natural resources equities are listed companies whose revenues and asset bases are directly linked to the extraction, production or processing of physical resources, including:

- Energy: oil & gas producers, liquefied natural gas (LNG), coal and uranium
- Metals & Mining: copper, iron ore, gold, aluminium, nickel and lithium
- Agriculture & Inputs: fertilisers, seeds, grain merchants, farm equipment and forestry

Why should investors consider a strategic allocation to global natural resources equities?

It is suggested that natural resources equities sits best as a specialist equity allocation intended to complement, not replace, traditional growth and quality equities.

Over longer-term investment horizons, extensive academic and practitioner research have shown that natural resources equities can materially enhance portfolio outcomes by providing:

- A structural sensitivity to replacement costs and real asset scarcity
- Lower long-term correlation with growth-oriented equity sectors
- Improved long-term risk-adjusted returns when held across cycles

Figure 1: Main benefits of an allocation to natural resources equities within a global equities portfolio

BENEFIT	CONTRIBUTION TO OVERALL PORTFOLIO
DIVERSIFICATION	▪ Exposure to both cyclical and structural earnings and valuation cycles linked to physical supply and demand, driven by powerful multi-year themes. ▪ Low to negative correlation with growth and value equities, as well as bonds. ▪ Diversification benefits have been shown to improve over longer time periods.
INFLATION LINKED DYNAMICS	▪ Historically resource equities have delivered strong real returns in periods of high inflation. ▪ Mitigation of geopolitical factors and weather-related events, which can often be catalysts for sustained trends.
RISK ADJUSTED RETURNS	▪ Natural resource equities have historically improved portfolio Sharpe ratios by combining cyclical return upside with diversification benefits, particularly during inflationary periods.[1]
VALUATION	▪ Natural resources equities currently offer scope for mean reversion from depressed long-term average valuation multiples. ▪ This is supported by improving fundamentals (strong cash flows, improved balance sheets and capital discipline, coupled with powerful structural demand drivers.
MACRO RESILIENCE	▪ Provides exposure to stocks that are facilitating the energy transition and those that are facing supply shocks. ▪ Resources supply is structurally constrained by geology, regulation and multi-year project timelines. Building new capacity advocates for a longer-term allocation.

*Janus Henderson Investors as at 30 April 2026. GMO whitepaper: "An investment only a mother could love: The case for natural resource equities"; Lucas White and Jeremy Grantham, September 2016; S&P Dow Jones Indices.

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Key structural demand and supply drivers that look set to underpin multi-year returns for the natural resources sector:

DECARBONISATION

The energy transition requires large quantities of energy and metals

Decarbonisation efforts via electrification are significantly resource intensive, making it a key tailwind for the mining industry, as well as related resources companies. Copper is key for power generation, grids, electric vehicles and charging infrastructure, as well as batteries and storage systems. This is leading to increased demand for metals like lithium, nickel, aluminium, silver, rare earths and critical minerals. Solar, wind, hydro, geothermal and biomass energy are among the main alternative energy sources. The importance of decarbonisation can be encapsulated by the European Commission's argument that the energy transition is no longer only a climate imperative; it is also a strategic and geopolitical necessity.

ELECTRIFICATION IS METAL-INTENSIVE		EVs require far greater quantities of copper, lithium, nickel and cobalt than internal combustion vehicles; similarly, grid expansion to support electrification is heavily copper-dependent
RENEWABLES USE MORE RAW MATERIALS UPFRONT		Renewable technology is significantly more mineral-intensive per unit of power generated than fossil fuel plants, particularly for rare earth elements and specialty metals
BATTERY STORAGE IS ESSENTIAL TO GRID STABILITY		As intermittent renewables scale, large-scale storage (lithium, nickel, manganese, graphite) becomes critical to balance supply and demand
ENERGY TRANSITION INFRASTRUCTURE IS GLOBAL AND SIMULTANEOUS		Governments worldwide are pursuing aggressive decarbonisation targets at the same time, compressing timelines and accelerating cumulative demand for critical minerals
SUPPLY IS STRUCTURALLY CONSTRAINED		Many rare minerals are geographically concentrated and capital-intensive to extract, meaning even moderate increases in demand translate into disproportionate pressure on prices and investment in new supply

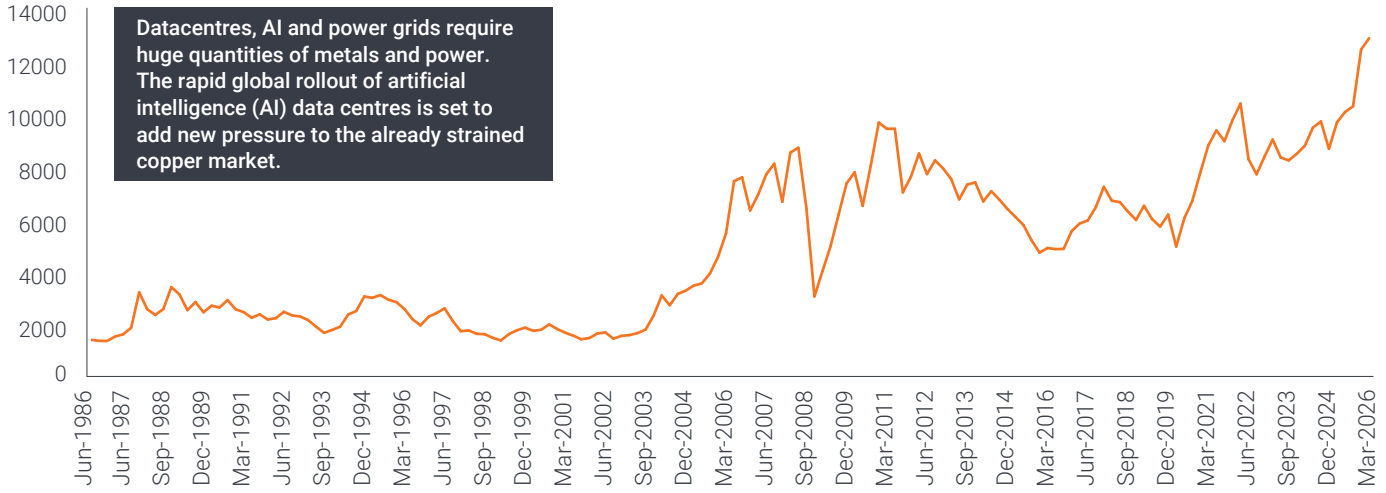
Source: Janus Henderson, IEA, Bloomberg, Morgan Stanley, BofA.

DATACENTRES AND AI

Data centres and power grids require large quantities of metal and power

Facilitating the explosive demand for AI requires extremely energy intensive data centres, accelerating demand for investment in power infrastructure and, increasingly, nuclear energy. That has meaningful implications for uranium demand and nuclear fuel markets.

30-yr copper price chart
(USD/ton)
New modelling[1] on how much copper the world will need has found the copper price will need to more than double to incentivise new production



US DOLLAR DEBASEMENT

Record US debt levels, massive fiscal spending and policy uncertainty

Investors have been reducing exposure to US assets because of global uncertainty US dollar debasement;, heightened market volatility concentration risk and President Trump's tariff policies. The dollar has been under pressure as countries reassess reserve currencies, and lower their exposure to US Treasuries. That backdrop has been very supportive for gold and precious metals. Gold in particular had a spectacular year, with its dual role of being a commodity and a monetary asset. When it is viewed as a store of value – during times of uncertainty when risk assets are subject to longer periods of higher volatility – it becomes particularly compelling, as we have seen in 2025 and currently. demand and nuclear fuel markets.

Purchasing power of gold vs major currencies
Over the past 40 years, the purchasing power of the world's most popular currencies have declined against gold

Record US debt levels and ongoing deficits increase expectations of prolonged low interest rates or expanded money supply.

Large-scale fiscal spending intensifies funding needs, reinforcing concerns around debt sustainability and currency dilution.

Policy uncertainty continues to erode confidence in the durability of fiscal and monetary frameworks.

Together, this fuels concerns around **dollar debasement**, lifting demand for resources (such as gold) as stores of value.

DEMOGRAPHICS

Global population growth and ageing populations are long-term demand engines for natural resources

The global population is expected to reach 2 billion by 2050, with growth from the sub-Saharan Africa and Central Asia regions, whereas **ageing populations** in developed nations are increasingly relying in capital investment and infrastructure to offset a shrinking workforce. Adding to this **rapid urbanisation** and a **growing middle class**, the need for energy, water, housing transport and food are essential to support rising living standards and development. This is driving **incremental multi-decade demand** for key materials such as copper, steel, uranium, and fertilisers.

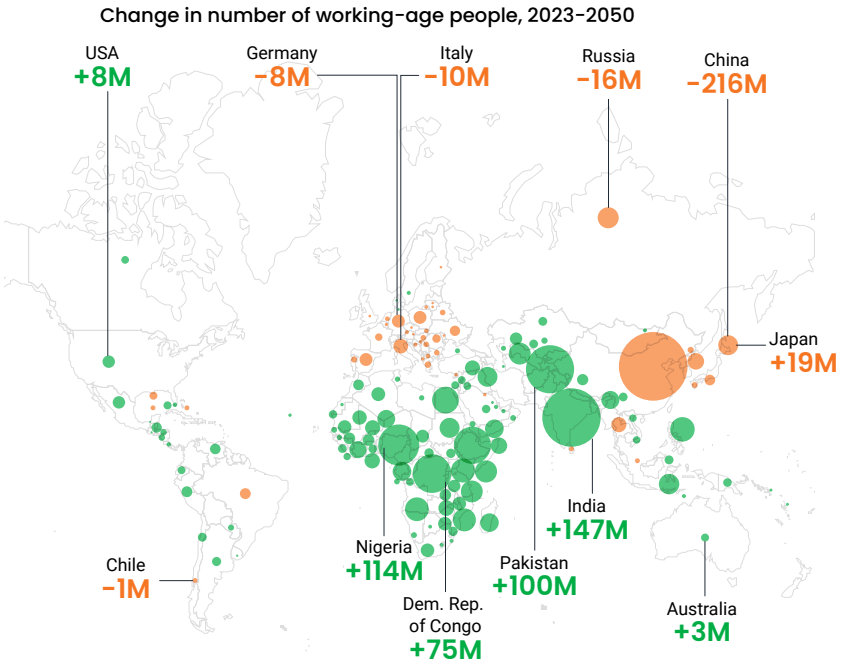
World growth +2bn people by 2050 and continued urbanisation are driving structurally higher demand for energy, housing, transport and food.

Copper, battery metals, steel, uranium, hydrocarbons and fertilisers are essential to support rising living standards and development.

Ageing demographics in developed markets increase reliance on capital investment and infrastructure to offset slower labour force growth.

India as the new China:India is now the world's third-largest economy on a PPP basis (~US$15tn), with favourable demographics and accelerating industrialisation.

Western world:Ageing assets, energy transition and security needs in the Western world fuel a new capex cycle.

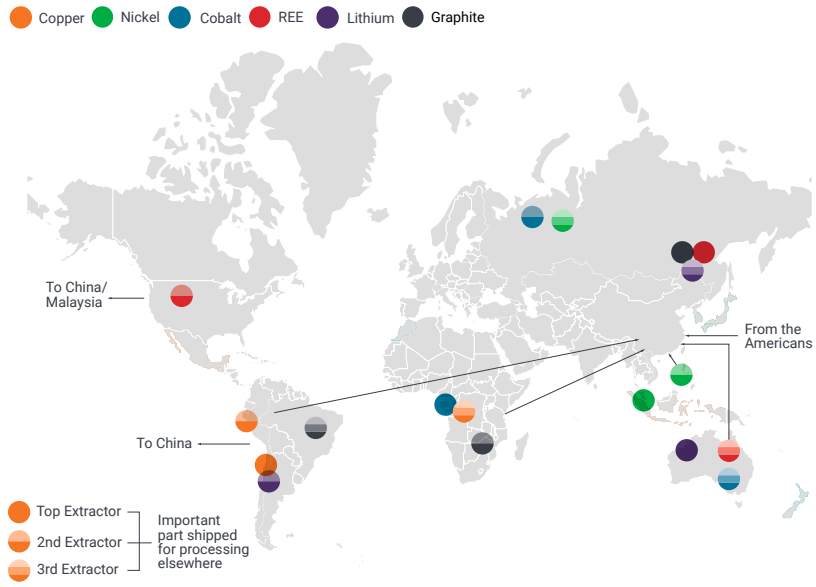


Source: Janus Henderson, IEA, Bloomberg, Morgan Stanley, BofAd. As at 31 March 2026. No forecasts can be guaranteed.

DEGLOBALISATION

Reshoring and supply chain realignment is a multi-year theme

Deglobalisation is being accelerated by geopolitical risk and heightened concerns over the resilience of global supply chains, prompting governments and corporates to reshore production and secure access to strategically important resources. This supply chain realignment underpins structural, multi year demand for critical minerals, energy and industrial metals, supporting sustained investment opportunities across natural resource companies.



Extraction

Cobalt	Copper	Graphite	Lithium	Nickel	REE*
Congo 71%	Chile 23%	China 74%	Australia 43%	Indonesia 47%	China 68%
Russia 5%	Peru 12%	Mozambique 6%	Chile 29%	Phillippines 12%	US 12%
Australia 2%	Congo 12%	Brazil 6%	China 17%	Russia 5%	Australia 5%

Processing

Cobalt	Copper	Graphite	Lithium	Nickel	REE
China 75%	China 41%	China 100%	China 63%	Indonesia 47%	China 89%
Finland 10%	Chile 12%	-	Chile 33%	Phillippines 12%	Malaysia 10%
Canada 3%	Japan 5%	-	Argentina 4%	Russia 5%	Estonia 1%

Source: Janus Henderson, IEA, Bloomberg, Morgan Stanley, BofAd. As at 31 March 2026. No forecasts can be guaranteed.

DEFENCE SPENDING

Addressing geopolitical concerns and threats to commodities supply chains

Elevated defence spending, persistent geopolitical tensions and rising concerns over the security of global supply chains are reinforcing the strategic importance of critical minerals, metals and energy-related natural resources. Governments and corporates are increasingly prioritising supply resilience and domestic or allied sourcing, driving sustained investment demand for commodities such as copper, lithium, rare earths and uranium. Over a multi year horizon, this backdrop supports stronger pricing, higher capital expenditure and improved earnings visibility for high quality natural resource companies positioned at the heart of these essential supply chains.

Power battle and the race to secure critical resources

Geopolitical
US vs China; US-Ukraine vs Russia; Middle East conflicts

Market volatility
Unprecedented 'mini-cycles', hot money momentum

Threats to supply chain
Geopolitical shocks have exposed vulnerable supply chains. Material capital requirements to rebuild resilient, diversified supply chains

Department of Defence (DoD) facilitating
Direct intervention by DoD to secure domestic and allied access to strategic materials

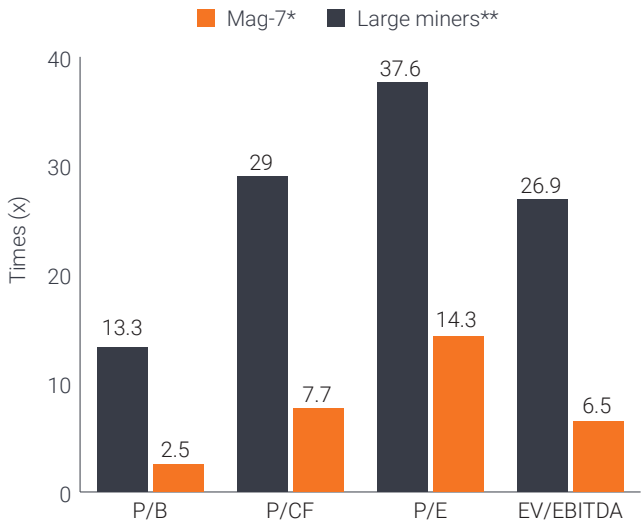
Sources: Janus Henderson Investors.

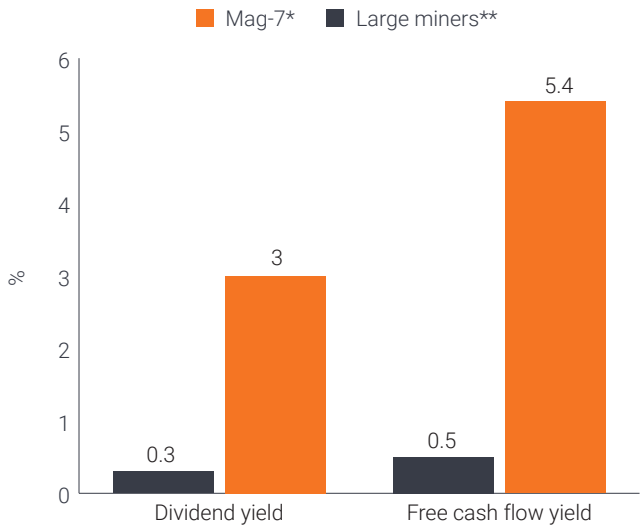
Why consider natural resource equities now?

Structural underweight to performance of real assets and powerful demand drivers

Large asset managers argue that global equity portfolios have become structurally underweight to real assets like natural resources, and therefore participation in capital intensive growth cycles like the energy transition, while elevated fiscal spending and supply-chain fragmentation mean higher replacement costs and a greater premium on secure supply. In turn this is increasingly leaving investors open to growing inflationary and supply shock risks.

Attractive valuations for companies that are critical to global growth





Source: Janus Henderson, Bloomberg, as at 10 April 2026.

*MAG-7 consists of Apple, Microsoft, Nvidia, Amazon, Alphabet, Meta and Tesla. **Large Miners consists of BHP, Rio Tinto, Freeport McMoRan, Grupo Mexico, Glencore, Vale, Anglo American, Antofagasta, Fortescue, Vedanta, Teck, Valterra.

Why take an active approach to natural resources?

Identification of companies with durable competitive advantages

Key structural demand and supply dynamics are the catalyst for superior long-term investment returns in the natural resources sector. An active approach can target companies with robust and sustainable competitive advantages, higher quality asset bases, lower production costs, global growth optionality and experienced, stable management teams, as well as opportunities for company engagement given higher operational and community exposure.

Deliver discovery-driven alpha

The natural resources asset class exhibits structural elements that are often overlooked by the broader market. Significant high-alpha opportunities are often available at the early-stage discovery, development and asset formation phases, particularly in medium and smaller growth stocks.

Conclusion

Global natural resources equities offer a differentiated and potential sources of long-term capital appreciation within global equity portfolios. Grounded in the ownership of essential and tangible assets, rising replacement costs and disciplined capital allocation, their strategic value extends well beyond cyclical commodity price movements. For long-horizon investors, the key consideration is not whether to time exposure, but whether portfolios adequately reflect the role of real assets in underpinning global economic growth, which is being driven by 'Supercycle 2.0' where powerful secular themes including decarbonisation, shifting demographics, deglobalisation, US dollar debasement, increased defence spending and AI transformation.

> "Natural resources are no longer just a cyclical trade, they are entering a structurally supported, powerful new phase of multi-year growth"
>
> **Daniel Sullivan and Darko Kuzmanovic, Portfolio Managers**

FOR MORE INFORMATION, PLEASE VISIT JANUSHENDERSON.COM

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[1]Source: Meketa Investment Group, Public Natural Resource Equities, April 2022.

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