

OAKWOOD

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Commodities Mini Industry Report



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Executive Summary

The commodities market recently has experienced a lot of changes and developments. From sectors like agriculture suffering from low crop prices to the emergence in demand for metaled and mined goods used to produce chips in electric vehicles. With the recent election of president of the United States of America and tensions from the war in Ukraine there has been an overall sense of uncertainty. This report will provide a concise summary into trends, performances, news within commodities market as well as a deeper look into sub-markets.

The first section of the report will be a summary of the current holdings which the Oakwood fund within the commodities sector. At this moment of time Oakwood hold stocks within three different commodities companies. These stocks are Nutrien, NextEra and Albemarle. Within this section the performance of the shares since purchasing will be analysed with each share given a ranking from 1-5 based on whether we should hold, over-weight or underweight the stock.

The next section of the report covers the past performance with a particular focus on energy and metals. Each section will investigate past trends and activity which is driving growth/decline in the sector. To summarize a key trend spotted in both energy and metals is the impact greener initiatives having on the demand profile for their goods. In the case of energy for example we are seeing high investment levels in power grids as well as renewable forms of energy. Additionally, in metals and mining there has been an increase in demand for lithium due to a rise in demand for electric vehicles and lithium is used to make the chips in these vehicles.

After this an outlook into sub sectors will be provided, examining future trends and developments which will impact the commodities industry. Moreover, regulatory affects and predictions of the future of the industry will be examined.

The last section of our report will provide an in-depth look into trends within the energy sector. It takes a closer insight into drivers of the future growth of energy. This includes the rise of AI and Battery energy storage systems.

Current Holdings

Under the commodities sector currently Oakwood holds three different stocks. The first of these is Nutrien which is a Canadian fertilizer company. The second is NextEra Energy, an American energy company with a focus on producing clean energy. Finally, Albemarle who is an American company that specialize in the manufacturing of chemicals. This section will examine the performance of the stock since purchasing, compare the stock to industry benchmarks and rate whether it's best to hold, overweight or underweight. Each stock will be given a weighting from 1-5 where 1 is a strong underweight and 5 is a strong overweight.

In December of 2023, Oakwood invested \$714 dollars into 5.75 shares of Albemarle stock. Just over a year later the value of the stock has fallen by 24.9% with the initial investment now being worth \$571.44 (December 13th, 2024). This decline in the stock price has been partly due to lithium prices falling by 80%. Being in the chemical commodities business prices can be volatile with them being so heavily dependent on the market so a decline in lithium prices had a significant impact on the stock price falling. When

comparing the company's performance against the industry benchmark, S&P chemicals we can see that it has performed poorly in comparison, the S&P chemical index stock has risen by 5.48% across the same time span in which the value of Albemarle stock fell by 24.9%. This indicates that in comparison to competitors Albemarle's stock has underperformed. Moving forward, there is a level of uncertainty within the industry for the demand. One of lithium's main use is for electric vehicle chips. Trump is preparing to implement new tariffs on electric vehicles from Mexico which could make such chips more expensive to produce. Because of this automakers are expected to cut spending on EVs and shift production elsewhere. This uncertainty poses a risk for the stock of Albemarle. Based on this for now the best option would be to hold the stock amid the uncertainty and wait to sell until the market is more settled before selling. Therefore, on a scale of one to five I would rate it at 2.5 and advise holding.

Moving on to the second stock that Oakwood holds in commodities, NextEra energy. This was also purchased in December of 2023 with the fund also investing \$714 dollars for 11.9 shares. This values the original price per share at around \$60 dollars. Today, on the 13th of December 2024 the price per share is at \$73.64, so the price of the stock increased by 22.7%. Comparing the company's current performance against the industry benchmark, S&P utilities. We can see that it outperforms, the S&P Utilities share price rose 21.78% across a year period, the same timeline when the stock was purchased. This indicates indicating signs that it's doing well in comparison to competitors. Due to the rise in price many argue that currently it's overpriced so buying more would be a mistake. However, holding on to the stock we owned could be beneficial because of one main reason. NextEra energy focuses on doing large scale renewable projects. With the growing demand for clean energy as well as the desire for firms and households to be more environmentally conscious we can assume that demand will continue to rise. One risk however faced by NextEra energy is it's sensitivity in the stock price to interest rates. Utilities stocks such as energy are especially vulnerable to changes in interest rates due to their reliance on debt financing. This alongside the fact there is a consensus from some analysts that the stock is over-priced leads me to the conclusion that holding for now is the best option.

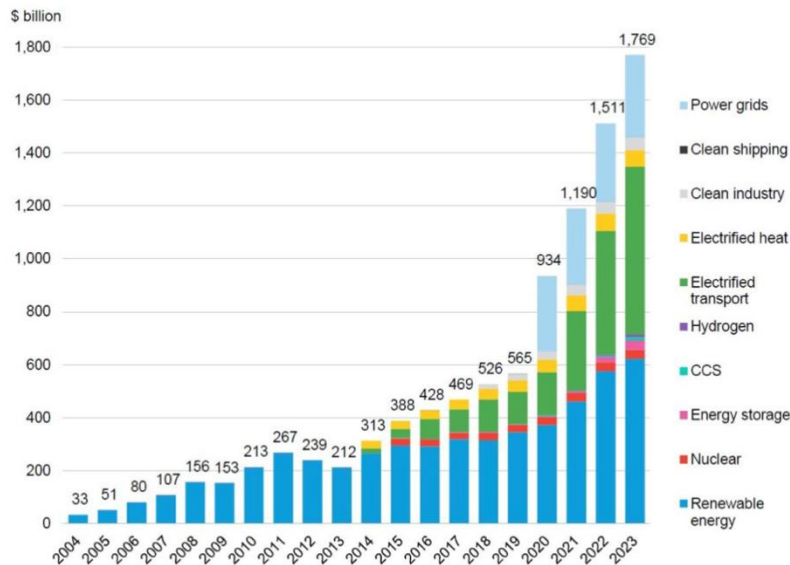
The final stock within commodities which Oakwood holds is Nutrien. Oakwood bought in to Nutrien on the 10th of May in 2024. Like the other stocks \$714 dollars was invested for 12.41 shares, valuing the buy in price per share at \$57.53. As of December, the 13th 2024 the price per share has fallen by 16.52% to \$48.18. A reason for the fall in this stocks price is that after Russia invaded Ukraine fertilizer prices were driven to an all-time high in 2022 due to a short supply. After this the prices have cooled off due to an array of factors. One of them being fertilizers like nitrogen depend on natural gas inputs, natural gas prices have decreased which means profits have fallen causing the stock to arguably fall as well. The company has also faced financial struggles, with net sales dropping from 5% comparing to the same quarter last year. These challenges however weren't just unique to Nutrien the agriculture sector itself has faced a lot of issues from geopolitical tensions to falling crop prices. Comparing the company's performance to the industry benchmark of the S&P Agriculture goods and services we can see that the S&P stock fell, in the same 6-month period since oakwood invested, by 9%. This indicator poor performance of the stock compared to Nutrien respective competitors. Buying more now, could potentially be beneficial if held for a long period of time. The company innovative solutions moving forward suggest in the future the position could strengthen. An example of some of these innatives are running share buyback schemes and investing in growing areas. So, on a rating from 1-5 personally I would give it a 4. In the short run its prospects are relatively uncertain but there is potential for growth across a longer time frame making it potentially wise to purchase more shares.

Past performances

Energy:

Amid ongoing geopolitical tensions and conflicts, global energy markets have demonstrated resilience with a significant shift towards low-carbon energy. Total spending is expected to surpass \$3 trillion for the first time in 2024, with \$2 trillion projected to be allocated to clean energy technologies and infrastructure—exceeding the combined investment in oil, gas, and coal. As shown in Figure 1, electrified transport has emerged as the largest sector within the energy transition, with spending growing by 36% in 2023 to reach \$634 billion, overtaking renewable energy as the leading area of investment. Power grid investment remained the third-largest contributor at \$310 billion, while emerging areas such as hydrogen, carbon capture and storage (CCS), and energy storage saw substantial growth, with investment nearly tripling year on year, up by 76%.

Global investment in energy transition, by sector



Source: BloombergNEF. Note: Start years differ by sector but all sectors are present from 2020 onwards; see [Methodology](#) for more detail. Most notably, nuclear figures start in 2015 and power grids in 2020. CCS refers to carbon capture and storage.

Figure 1

One example of a recent merger announced within the energy sector is SLB announced to acquire Champion X in an all-stock deal in April of 2024. As the merger was announced relatively recently it has not been yet completed. The deal value of the deal is around \$7.75 billion and aims to create a leader in energy transition. ChampionX chemical and production expertise with SLBs technology will reap benefits for both parties. One estimated effect the merger will have is an increase in customer base, improved efficiency and also better support sustainable energy initiatives. It is estimated that the merger will be completed by late 2024/ early 2025.

Metals and mining:

The mining and metals industry finds itself at the centre of a complex of challenges, opportunities, expectations, and demands. As ever, geopolitical tensions and economic policies are significantly influencing the metals and mining industry, such as the recent election of Donald Trump meant that metals such as gold “suffered its worst week in 3 years” as investors piled into the U.S dollar, however, despite all of this, metals remain a stable investment option.

Currently, the metals and mining industry is facing a volatile month, with the recent election of Donald Trump, commodity prices started to fall overnight as traders started to price in the likelihood of a Trump win. Traders predicted that a Trump election would mean promised tariffs on imported goods, particularly targeting China, which could lead to a new wave of trade tensions and economic disruptions. This meant that precious metals were still down, with gold prices at a three-week low on Wednesday, while copper lost nearly 4% and is set to post its biggest intraday loss in five months. For other metals, such as Zinc, it became the worst performer of the base metals complex.

Despite all of this, metals and mining remain among the more stable investment options. For example, while gold experienced its worst three-week performance in years, analysts attribute this to a temporary dip following a recent surge in demand. In the broader context, the long-term trend shows significant change. Even though metals are highly subject to change when global events occur, they still manage to be a safe investment option.

Future Outlook

The global energy landscape is rapidly transforming, with clean energy investments projected to reach record highs as sectors like electrified transport, SMRs, and battery storage experience unprecedented growth. In 2023, the UK further solidified its role in this transition through both public and private investments, setting ambitious goals for renewables and nuclear energy despite economic shifts. Yet, the journey toward meeting rising demand, especially in emerging markets, faces challenges like regulatory constraints and financing gaps. As countries and corporations alike pursue net-zero targets, the alignment of policy and private investment will be key to driving sustainable energy solutions that meet future global needs. As AI-driven energy demand rises, companies like Oklo, with innovative SMR technology, appear well-positioned to meet these evolving needs, making them a promising focus for investment and BESS as a longer-term investment.

Going into 2025, it's predicted that the metals and mining industry will still be a stable investment option. Gold prices are expected to remain strong, supported by falling Treasury yields after the Fed's 50bps rate cut in September 2024, which reduces the opportunity cost of holding non-yielding assets like gold. Investment demand, through ETFs, and the central bank's diversification away from the US dollar, further bolsters gold's outlook. While short-term consolidation is possible, tight fundamentals and sustained demand suggest gold will continue as a top-performing asset in 2025.

As for industrial metal prices, a stable course is forecast for the next two years as the weakness in China's real estate sector is counterbalanced by tight supply conditions and increased demand for some metals for energy transformation, while unexpected growth in China could result in metal market volatility.

Subsector analysis: Energy

Current News

Goldman Sachs forecasts that data centre power consumption will increase by 160% by 2030, largely driven by the expansion of AI. To meet these high energy demands while aligning with net-zero targets, investments in Small Modular Reactors (SMRs) from tech giants like Google, Amazon, and Microsoft are becoming critical. SMRs, which are smaller and modular by design, are more affordable and faster to construct, and their transportability enables deployment in areas with limited power infrastructure. This gives Big Tech a competitive edge, as they invest heavily in SMR technology. Sam Altman-backed Oklo, a nuclear technology company, saw its shares surge over 140% in October. Despite regulatory and supply challenges, Oklo’s innovative approach of using recycled materials at lower costs has captured market attention. Analysts predict substantial growth for the SMR market, with some estimates projecting it could exceed \$250 billion by 2040.

Demand for Battery Energy Storage Systems (BESS) is rapidly increasing, with deployment expected to quadruple to 572 GW/1,848 GWh by 2030 and installation projections expected to exceed 400GWh by 2030 as shown in Figure 2. As renewable energy capacity expands, the need for reliable storage solutions becomes critical to its effective integration. In the US, the battery market has experienced substantial support, with a 30% tax credit under the Inflation Reduction Act contributing to an 84% growth in Q1 capacity. Nevada and Texas specifically drove the surge in energy storage capacity installing 35% of the country’s total. NextEra Energy is set to build a 600MW standalone BESS facility in California, including developer intentions to invest \$535 million. Investor interest is on the rise but reflects a long-term commitment due to the highly localised nature of these developments and high volatility dependent on financing, technology, market design, regional variations and policy.

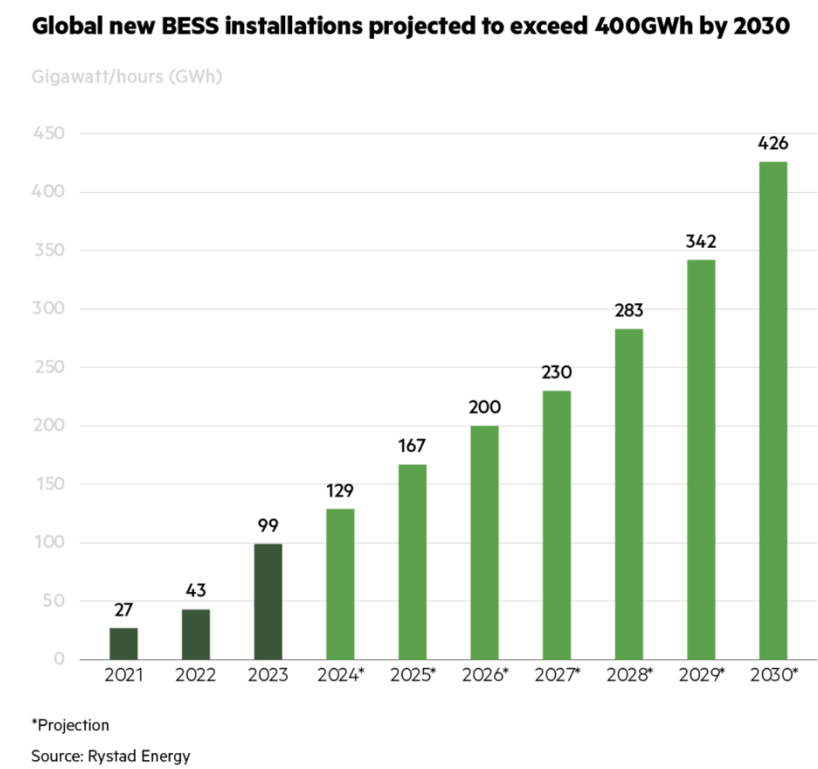


Figure 2

Conclusion

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investments, setting ambitious goals for renewables and nuclear energy despite economic shifts. Yet, the journey toward meeting rising demand, especially in emerging markets, faces challenges like regulatory constraints and financing gaps. As countries and corporations alike pursue net-zero targets, the alignment of policy and private investment will be key to driving sustainable energy solutions that meet future global needs. As AI-driven energy demand rises, companies like Oklo, with innovative SMR technology, appear well-positioned to meet these evolving needs, making them a promising focus for investment and BESS as a longer-term investment.

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