Commodities: A Glance at Historical Investment Returns

Annual returns (%) for selected indices (1993-2012): ranked in descending order of performance

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture 19.6	Industrial Metals 65.1	Energy 28.2	Energy 66.6	Agriculture 4.7	Precious Metals -0.7	Energy 92.4	Energy 87.5	Precious Metals 0.5	Energy 50.7
Precious Metals 19.6	Agriculture 8.3	Agriculture 27.0	Livestock 15.2	Industrial Metals -2.6	Industrial Metals -19.2	Industrial Metals 30.7	Livestock 8.6	Livestock -2.9	Precious Metals 23.3
Livestock 7.8	Energy 7.5	Livestock 3.3	Agriculture -2.1	Livestock -6.2	Agriculture -24.4	Livestock 14.4	Agriculture -1.1	Industrial Metals -16.5	Agriculture 11.4
Industrial Metals -16.0	Precious Metals -1.2	Precious Metals 2.0	Precious Metals -4.0	Precious Metals -14.0	Livestock -27.6	Precious Metals 3.9	Precious Metals -1.2	Agriculture -23.1	Industrial Metals -0.6
Energy -33.7	Livestock -11.3	Industrial Metals -6.6	Industrial Metals -8.8	Energy -23.1	Energy -46.8	Agriculture -18.9	Industrial Metals -4.3	Energy -40.4	Livestock -9.5

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Industrial Metals 40.0	Industrial Metals 27.5	Industrial Metals 36.3	Industrial Metals 60.9	Energy 41.9	Precious Metals 0.5	Industrial Metals 82.4	Precious Metals 17.4	Precious Metals -0.6	Agriculture 6.5
Energy 24.6	Energy 26.1	Energy 31.2	Precious Metals 24.1	Agriculture 28.3	Livestock -27.4	Precious Metals 25.1	Industrial Metals 12.8	Agriculture -1.2	Precious Metals 6.2
Precious Metals 16.3	Livestock 25.5	Precious Metals 18.6	Agriculture 13.3	Precious Metals 27.9	Agriculture -28.9	Energy 11.2	Agriculture 0.7	Industrial Metals -1.8	Industrial Metals 1.4
Agriculture 6.6	Precious Metals 8.6	Livestock 3.5	Livestock -6.7	Industrial Metals -5.6	Industrial Metals -49.0	Agriculture 3.8	Energy 0.4	Energy -3.6	Energy -1.4
Livestock 0.0	Agriculture -20.2	Agriculture 2.4	Energy -26.8	Livestock -8.6	Energy -52.4	Livestock -14.1	Livestock -3.92	Livestock -10.9	Livestock -4.0

Many investment advisors and their clients have come to consider commodities as a distinct asset class and are adding this investment category to their portfolios in an effort to achieve greater diversification, enhance returns and reduce risk. As they pursue this strategy, investors may want to keep in mind that it usually makes sense to add a diversified mix of commodity sectors and not concentrate on just a single sector. For example, an investor might want exposure to industrial and precious metals, as well as other commodity sectors, and not just in energy. While past performance is no guarantee of future results, Van Eck's glance at historical investment returns helps make a strong case for diversifying across commodity sectors.

Source: Van Eck, Goldman Sachs. **Past performance does not guarantee future results.** The indices' past performance is historical and is provided to illustrate market trends. Such performance does not represent the performance of any Van Eck Fund. Indices do not charge management fees or brokerage expenses and no such fees or expenses were deducted from the performance shown. Investors cannot invest directly in an index. In addition, the result actual investors in a fund might have achieved would have differed from results shown because of, among other things, differences in the timing, amounts of their investments and fees and expenses associated with an investment in the fund.

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Commodities by the Numbers

- At least one commodity sector showed a positive return in 18 of 20 years, and at least one commodity sector showed a negative return in 18 out of 20 years.
- No commodity sector consistently outperforms the others. Energy has been the leading performer in six of the previous 20 years. But in six of those years, it was the worst performer, and in another three years, it was second to the worst.
- In four of the past 20 years (1994, 1996, 2000, 2007), the best performing commodity sector was the worst performing in the following year.
- Similarly, in three of the past 20 years (1998, 2001, 2006), the worst performing commodity sector was the best performing in the following year.
- In 13 of the past 20 years, the best performing commodity sector generated returns in excess of 25%. In five of the past 20 years, the worst performing commodity sector generated losses in excess of 25%.
- The spread between the best and worst performing sectors was at least 30 percentage points in 16 of 20 years.

Of course, this analysis assumes that the indices used are reasonable representations of the performance of the commodity sectors.

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