Rothschild & Co
Asset Management

Strategic metals: Is an inevitable supercycle on the horizon?

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Driven in particular by the energy transition, interest in the mining sector—and more specifically in strategic metals—has grown significantly in recent years. Although this paradigm shift is now at the heart of issues related to sovereignty and geopolitical tensions, investors do not yet seem to have fully embraced it.

Why does the metals and mining sector remain in the headlines?

Without metals, there would be no global growth. Everything you see and touch in your surroundings comes either from agriculture or from mineral resources. Historically, per capita annual demand for metals increased 1.8-fold between the 1920s and 1940s due to urbanization, and then 2.7-fold from the 1950s to the early 1980s due to industrialization[1]. A new paradigm is emerging. The energy transition and the reconfiguration of value chains could further increase this demand by a factor of 2.3 by 2050[1]. This is a fundamental shift—metals are no longer merely industrial resources, but strategic pillars for electrification and sovereignty as part of a broader effort to regain control of supply chains.

What is the impact of this paradigm shift on mining demand?

In recent years, base metal prices have decoupled from traditional economic drivers. Previously, they followed the industrial cycle, but now three new themes dominate. The first is the energy transition, with associated copper demand set to double by 2030[1] and, for example, electric vehicles that consume on average five times more metals than internal combustion engine vehicles. Second, new technologies, for which global demand for copper will rise from 1% to 6% by 2050 and will lead to a 20% increase in electricity demand in the United States by 2030[2], driven by the expansion of data centers and the electrification of the automotive sector. Finally, deglobalization, as more than 50% of metals are refined in China—up to 80% for certain "critical" metals—with the implementation of new policies on minerals in both the United States and Europe between 2020 and 2025[3].

Can supply keep up with this surge in demand?

Absolutely not, and the pressure is mounting. Reserves are running low: the number of years remaining for the extraction of base metals is dwindling, while the cost of exploration per ton discovered has increased eightfold since 2003. For copper, production must grow structurally, but supply is falling. Production is expected to decrease by 300 kilotons in 2026 compared to 2025[3]. This structural shortage is exacerbated by the lack of new discoveries and an average delay of fifteen years before a mine opens.

How does the geopolitical context amplify this supply strain?

Geopolitics acts as a catalyst. With 90% of rare earth magnet production—a resource essential for electric vehicles and wind turbines, which account for 50% of demand—China dominates the market overwhelmingly[4]. Faced with heightened geopolitical risks, nations such as China and India have intensified their strategic stockpiling of physical metals and raw materials. This massive accumulation of reserves is also amplified by regional arbitrage, such as in the case of copper between U.S. inventories and the rest of the world, driven by tariffs associated with the trade war. Furthermore, national security considerations now take precedence over the logic of economic efficiency alone. The "just-in-case"[4] paradigm is gradually replacing the "just-in-time"[5] model, leading to greater market cyclicality and the emergence of structural risk premiums on energy and metals. For its part, the U.S. government intends to invest in mining projects and encourage private investment through a regulatory environment more favorable to the mining industry.

Have investors factored these changes into their decisions?

We are seeing a glaring structural underinvestment. The sector accounted for just 0.4% of the S&P 500 at the end of 2025, while Nvidia and Microsoft together accounted for 13.5%—34 times as much[4]. And yet, there will be no technological development as advocated by these players without secure access to the raw materials essential for building the physical infrastructure that supports this innovation. Asset allocators are ignoring this theme, allowing a yawning gap to widen between investments and the reality of an imminent supercycle.

How does the R-co Strategic Metals and Mining Fund position itself in this landscape?

We offer exposure to metals linked to the energy transition and strategic materials through established producers, junior companies, and exploration firms. Allocation to underlying materials is dynamic and based on macroeconomic data and supply-and-demand dynamics. We have a holistic vision organized around four sub-themes: major producers, the new generation of mining projects, specialty materials, and processing and new mining technologies. The result is a concentrated portfolio whose stock selection is based on strong convictions, with a bias toward exploration-focused companies to capture long-term value creation opportunities.

Why the focus on junior companies and exploration?

It's our hallmark. Exploration can offer a potentially significant return on investment—a discovery can potentially lead to a significant increase in a mining company's valuation. In a world of scarcity, this is where generational wealth can be created, and it's what sets our fund apart.

Learn more about the fund(s)

R-co Strategic Metals and Mining

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[1] Source: World Bank, October 2025.
[2] International Energy Agency, December 2025.
[3] Bloomberg, October 2025.
[4] Building safety stock.
[5] Aligning raw material orders from suppliers with production schedules.

Recommended investment period: 5 years.

SRI: 5/7. The synthetic risk indicator shows the level of risk of this product compared with others. It indicates the probability that this product will incur losses in the event of market movements or our inability to pay you. The risk indicator assumes that you hold the product for 5 years. The real risk may be very different if you opt to exit before maturity, and you may get less in return. We have classified this product in risk class 5 out of 7, which is between medium and high risk, and mainly reflects its investment in the rare and precious metals equity markets. In other words, the potential losses associated with the product's future performance are medium to high, and should market conditions deteriorate, it is likely that our ability to pay you will be affected.

Before investing, it is imperative to carefully read the PRIIPS DIC and prospectus of the UCI, and more particularly its section on risks and fees, available on the Rothschild & Co Asset Management website: am.eu.rothschildandco.com.

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More information at: www.am.eu.rothschildandco.com

(1) Source: Rothschild & Co Asset Management, 31/07/2026.

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