

Metals Matter: Lessons From a Historic 2025

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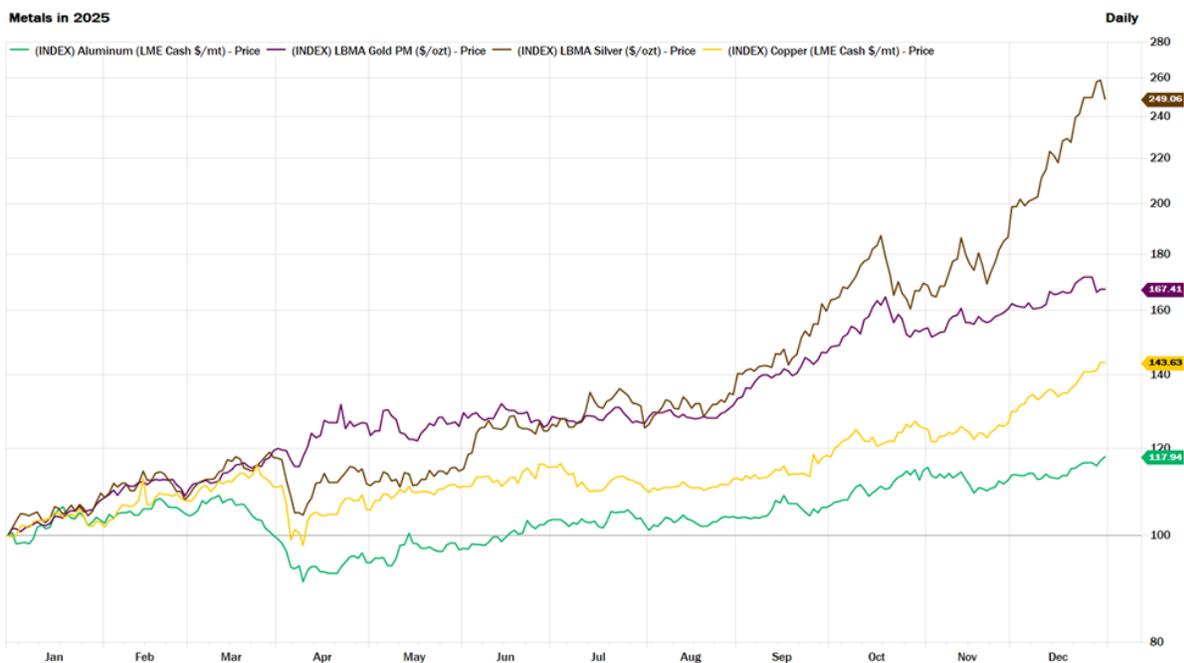
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Gold and Silver delivered their best year since 1979. This article explores why precious and industrial metals performed so well and explore their role in a diversified portfolio.

For one reason or another, gold tends to be an investment that elicits a wide range of opinions. Ask investors for their opinions on other metals beyond gold and you're more likely to get some blank stares. This is understandable, as it's not particularly common to have strong opinions on copper, nickel or platinum. This may change after 2025, a year that saw strong performance from a wide range of both precious metals, such as gold and silver, as well as industrial metals, like copper and aluminum (we'll focus on these four metals as primary proxies for precious and industrial metals). Importantly, the drivers of performance were largely unique, and several may continue in the years to come. In this article, we will examine how metals performed in 2025, what drove performance, and expand on their role in our diversified portfolios.

2025: A Landmark Year for Performance

One of the more surprising developments in 2025 was the notable performance from both precious and industrial metals. Precious metals led the way, with gold up over 67%, and silver up a staggering 149%, marking the best year for both since 1979. Relative to the S&P 500 index, 2025 also marked the largest relative outperformance for both gold and silver vs. the index since 1979. These gains were particularly notable given that they occurred alongside solid equity market performance, rather than in response to a risk-off environment. Industrial metal returns were nothing to sneeze at either. Copper had its best performance year since 2009, up 43%, and aluminum finished 2025 up just shy of 18%.





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Catalysts: What Drove Performance in 2025?

What drove the impressive performance for metals in 2025? Given the varied drivers, we'll look at each individually to parse out what catalyzed performance last year:

Metal	2025 Returns	Key Strategic Drivers
Gold	67.4%	<p>U.S. Government Shutdown: The 41-day shutdown in April triggered a decline in confidence in the U.S. Dollar.</p> <p>Central Bank Gold Binge: Emerging markets (BRICS+) bought record tonnage to diversify reserves.</p> <p>Stubborn Inflation: Stubborn inflation in the U.S. triggering gold purchases to hedge U.S. Dollar weakness.</p> <p>Debt Concerns: Total U.S. debt surpassing \$41 trillion fueled inflation hedging.</p>
Silver	149%	<p>Solar Technology Shift: New solar technologies driving increased usage/demand of silver.</p> <p>Supply Deficit: The 5th consecutive year of physical deficit supportive of prices.</p> <p>Chinese Export Caps: China restricted silver exports to prioritize its own domestic AI/Solar needs.</p> <p>Retail Mania: A "silver squeeze" psychology returned as prices broke the 45-year \$50 ceiling.</p>
Copper	43.6%	<p>AI Data Center Growth: High-performance AI require more copper for cooling and power than standard servers.</p> <p>Grid Modernization: Massive utility spending to connect renewable energy to aging power grids.</p> <p>EV Charging Infrastructure: A surge in "fast-charger" installations, which are highly copper-intensive.</p> <p>Supply Squeeze: Major mine disruptions limited available refined supply.</p>
Aluminum	17.9%	<p>Transportation "Lightweighting": Aluminum replacing steel in electric vehicles to maximize battery range.</p> <p>Infrastructure Tariffs: New 50% U.S. duties on finished aluminum products shifted demand to domestic scrap.</p> <p>Packaging Sustainability: A continued pivot from plastic to infinitely recyclable aluminum cans and foil.</p> <p>Renewable Frames: Aluminum remains the primary material for the structural frames of solar demand wave.</p>

Source: OPCM

As you can see from the table, the performance drivers for metals in 2025 ranged from shifts in central bank policy to how electric vehicles are constructing chassis. It's a mix of structural, cyclical, and one-off tailwinds – an encouraging mix in our opinion as it reduces the risk of any one specific tailwind reversing, potentially causing a synchronized pullback across the asset class. The fact that the drivers of performance were dynamic also creates opportunities for more nuanced positioning across metals – something our team always strives to take advantage of.

Metals: Role in a Diversified Portfolio

The role of metals in a portfolio is meaningful and multi-faceted – the purpose of each somewhat different than the next. Rather than viewing metals as purely tactical trades, we see them as strategic holdings that can serve defensive, inflation-sensitive, and growth-oriented roles. We'll take a closer look at the merits of each individually.

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Gold:

- Safe-haven: a defensive holding, offering stability in times of geopolitical or financial market distress.
- Inflation Hedge: hedge against elevated inflation and any related U.S. Dollar weakness.
- Low Correlations: low correlation to U.S. stocks, international stocks and bonds helps with risk management and broader wealth preservation.

Silver:

- Enhanced Diversifier: often participates in precious metal rallies as well as industrial growth cycles. Silver's dual role as both a precious and industrial metal often results in higher volatility but also creates the potential for outsized returns during periods of synchronized demand.
- Growth: *Clean Energy Transition*: increasing usage in solar technologies and electric vehicles.

Copper:

- Inflation Hedge: copper often performs well during periods of rising inflationary environments.
- Growth: *Electrification*: structural growth demand from electric grid modernization. *AI Beneficiary*: demand surge from substantial data center buildout.

Aluminum:

- Growth: *Pro-cyclical Leader*: performs well at early stages of cyclical recovery.
- Inflation Hedge: aluminum often performs well during periods of rising inflationary environments.

Metals are just one component in our natural resource asset class but they play an important role in both risk reduction and wealth preservation, as well as contributing to growth. As we do with all positions across all asset classes, we are constantly analyzing exposures across our portfolio to ensure the allocation is consistent with our teams' views. Different metals, and exposures to those metals, may be appropriate depending on a wide variety of variables including interest rates, inflation, GDP growth, phase of economic cycle, etc. As an example, our team has been overweight gold vs. our benchmark (Bloomberg Commodity Index) for the past several years, driven by many of the factors discussed in this article. After an exceptional 2025, it's likely not a surprise to hear that sentiment around gold is rather exuberant – something that typically warrants caution. Periods of extreme optimism often precede lower forward returns, even when long-term fundamentals remain mostly intact. Further, should we see the level of geopolitical turmoil ratchet lower or the Federal Reserve indicate a slower cadence of rate cuts than the market expects, we could see gold (and other metals) shed some gains seen in recent years. As such, the team may look to pare back our exposure to gold – effectively reducing our overweight while still maintaining exposure.

As we look ahead to 2026, ongoing geopolitical skirmishes, stubborn inflation and possible green shoots indicating a more robust cyclical recovery could yield another solid year of returns for metals. At the same



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time, dispersion across metals is likely to remain elevated, reinforcing the importance of ongoing allocation shifts. As always, the Osborne Partners investment team will be sure to keep you updated around any changes in our views on metals as well as the rest of our diversified portfolios. Happy New Year! ■

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