

## Chocolate Chips: The Twin Surge in AI and Cocoa Investments



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One of the most notable market shifts to take place in 2024 was the rise of an AI supercycle, which fueled rapid growth across most major US indices. In fact, in 2024, technology and AI-focused stocks drove US indices to reach new record highs an impressive 53 times.

Whilst the spotlight has been firmly fixed on the AI megatrend for some time, savvy investors might benefit from broadening their horizons and exploring investments beyond the revered AI sector. In 2024, an unexpected star emerged from the commodities market that continues to perform well into 2025.

Let's delve into cocoa, a soft commodity that skyrocketed last year to match the impressive returns of the AI favorite, NVIDIA.

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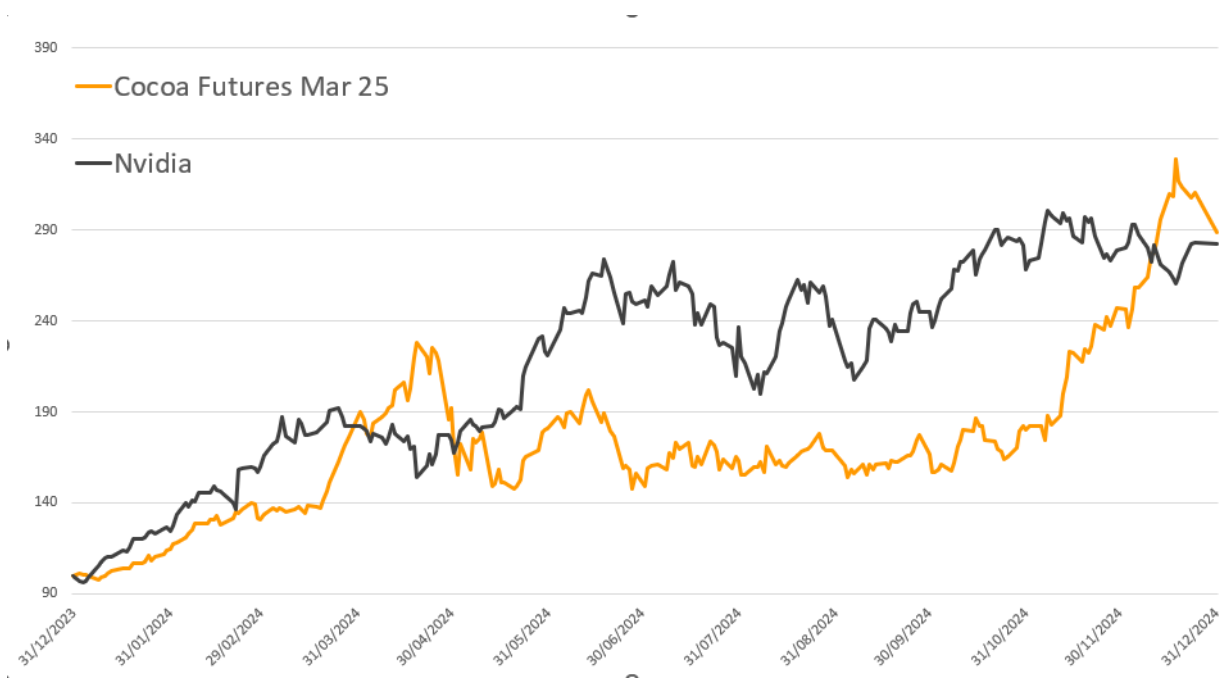
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Cocoa beans, the dried and fermented seeds of the Theobroma cacao tree, are processed to produce cocoa powder and butter, essential ingredients in chocolate making. These beans thrive in wet, tropical climates near the equator. The United States, the Netherlands, and the United Kingdom are the leading producers of cocoa-based products. Annually, around 3 million tonnes of cocoa are produced, with this figure steadily rising over the past thirty years.



In 2024, both NVIDIA and cocoa futures achieved remarkable 185% returns. So when you next go to buy a bar of your favorite chocolate and clock yet another price hike, remember that entrenched inflation isn't the only factor causing a surge in cocoa prices. There are several reasons why the humble cocoa crop has equaled the returns of sophisticated AI models and chips:

1. **Ongoing Supply Deficit:** The global cocoa market experienced its largest deficit in over 60 years during the 2023-2024 marketing year. This was a consequence of widespread crop failures in Ivory Coast and Ghana, the world's top cocoa producers.
2. **Unfavourable Weather Conditions:** Adverse weather and supply constraints in West Africa, which produces approximately three-quarters of the world's cocoa, were major factors behind the sharp rise in cocoa prices this year.
3. **Futures Markets Hit Record Heights:** Cocoa futures for March delivery in New York reached an all-time high of nearly \$12,000 per metric ton, highlighting the commodity's dramatic increase in value.
4. **Volatility:** The tightness in both cocoa and coffee markets, along with ongoing weather concerns, indicate that prices are likely to remain volatile well into this year.

Despite not enjoying the high-profile market movements seen in the tech sector, Cocoa and coffee futures delivered substantial returns for professional commodity traders in 2024. The success of these perhaps less glamorous sectors highlights the opportunities available to investors who are



willing to broaden their horizons beyond the hotly watched tech and AI sectors. Alternative assets can indeed yield significant returns—sometimes rivalling the very best of the tech giants.

Martello Asset Management Limited was acquired by Capital International Group Limited in 2024. To learn more about the acquisition and the Capital International Group, please read our [announcement article](#).

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