Edited Transcript of the 2nd Quarter 2018
Conference Call with David Iben

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Operator: Good day ladies and gentlemen, and welcome to the Kopernik Global Investors 2nd Quarter 2018 Conference Call. As a reminder, today's call is being recorded. At the conclusion of today's presentation, there will be a question and answer session. Instructions will be given at that time. At this time, I would like to turn the call over to Mr. Chris Lopez. Please go ahead, Mr. Lopez.

Chris Lopez: Thank you, operator. Hello and good afternoon everyone. Thank you for joining us today for the second quarter 2018 conference call. My name is Chris Lopez and I have with me David Iben, our CIO and lead portfolio manager for the Kopernik Global All-Cap Strategy and co-PM for the Kopernik International Strategy.

Before I pass the call over to Dave, I'd like to provide everyone with a quick firm update. From an overall AUM standpoint, the firm assets as of the end of the second quarter were right around $3.5 billion. This represents an impressive growth of roughly 24% over the last 12 months where we saw roughly $345 million in net new assets. This was due to the firm being awarded new mandates across all channels and also many existing clients that had been allocating more towards value and away from growth. Those strategies have continued to attract smart and like-minded long-term investors that realize the optionality and the tremendous opportunities our portfolios exhibit. We do believe it is the case given the steep discounts the portfolios are trading at today.

Lastly, from a people standpoint, we're well positioned with 38 people strong and we appreciate the opportunity to serve you and your clients. Finally, Dave will be referring to the presentation that can be found on our website at KopernikGlobal.com. This can be found under the News and Views section. And with that, I'll turn the call over to Dave.

David Iben: All right, good afternoon everybody. Thanks, Chris and thanks everybody for dialing in. It is certainly a timely time to be looking back at the markets. It's one of those extraordinary periods. It's amazing also how quickly five years has gone by as we've started Kopernik. We think we launched at a really opportune time. We think this because having value managers that have stuck with their style through all this is scarce and we think perhaps very valuable right now.

On the surface, however, it's been a very challenging time to venture into this field. Active management's been in a tough place to be, value management has been in a very tough place to be. So before we get into the positives and why we feel good, let's quickly take a look at what happened since we've started Kopernik. Growth, judged by the index, has done 3x as well as value has. It's been a very difficult time for value. And then of course that's growth. If you look at momentum, which of course is where everybody is headed, momentum has done 6x better than value and that's just using the NASDAQ as a proxy for momentum. We know the true momentum stocks have done much better than that. It's incredible how much the FANGs and the BATs have gone up. What statistics show - these stocks had been 120% of the gains of the whole market over the last year. So it's really phenomenal.

Looking at this chart, I remember when my first year in the business you could buy every stock in the USA for somewhere around Google's valuation today. Pretty impressive times. Anyhow, we had at least 2016. 2016 looked like maybe things had turned. At least we all got a taste of what happens when momentum starts to pour back into value. But that was of course short lived and over the last year and a half, things have only gotten more pronounced. It's incredible how much growth has done relative to value in the last year and a half.

So far this year, it's reminiscent of late '99 and early 2000. Those were environments where not only momentum was the place to be but if you ventured outside of momentum, you not only were left out of the party, you actually lost money. Where back in '99, all profitable stocks in general went down even though the market was going up big. And as this chart here shows, value stocks are actually going down this year while, of course, the FANGs and a few others have led the market to gains. Most markets in the world are down pretty good this year while the NASDAQ is up 13% - 14%.

Looking a little deeper into this, (we wrote about this in the commentary we sent out a couple weeks ago entitled "Master and Servant"), we were talking about how the prior commentary from January and February (that we called "Runaway Train"), we were talking about how the momentum stocks were picking up speed more and more, and was in danger of derailing. This shows figuratively how we are seeing the slow-motion derailing one sector at a time, one country at a time. So out of eleven sectors in the market, nine of them are being left far behind. And if somebody were to consider Amazon or Netflix to be more technology stocks than consumer, than consumer discretionary instead of being up, is actually down. What a difference two stocks can make. So without those two stocks, 10 of 11 sectors are going down in an otherwise up market in the U.S. Not a healthy sign.

So what does that mean for us? Well, we think that's a good time for those who are doing the research because active management doesn't do so well when everybody is following the trend. But eventually, active managers thrive when the markets are most inefficient and when the bifurcations are the biggest. We think the history will prove that 2018 is right there in line with 1929, 1972, and 1999 in terms of real standouts, in terms of most inefficient markets and most bifurcated markets. We can say that in those other three time periods, one did not want to track the index when that ended but we think that's a similar time. So if people want to track the index, fine. But for those that don't, we think really the aberration here is the concept of whether people should use judgment or whether they should just track data. You hear more and more about people that are data dependent.

But it seems like computers have allowed us to somewhat mindlessly pursue massive amounts of dubious points of data. And this leads to what we think is opportunities. When they crunch the data, we say where is the skepticism? It's one thing to find numbers on a screen. It's another thing to challenge those numbers, to analyze those numbers. We think that inquiring minds will want to know the answers to such question as is this a new paradigm? Is there such a thing as not only economies of scale, but diseconomies of scale when things get too big, too unwieldy...can the return on capital perpetually, not just exceed - vastly exceed the cost of capital? Have greed and fear been eliminated from the human genome? Do either of them rein in emotions or do they magnify it? How long can the price of assets exceed the values that support those? Can houses exceed rents? Can stocks go up without earnings? Do wages at some point have to go up for people to afford these things?

It's interesting, all the talk of the FANGs and the BATs, they're exciting because they're all starting to move into more and more fields and increasingly compete against each other. If it happens, can they all win? Certainly, they're priced to all win. Central banks are starting to pull back a little bit but what have they done the last ten years? Have they actually procured wealth out of thin air or are they merely increasing the supply of currency out there by effectively transferring wealth amongst constituencies? We think it's helpful for people to know what they're buying before they put their money in. Now, don't get this wrong, we're not anti-technology. We actually love technology and are happy to be living in one of probably the best era ever in the history of mankind. Technology is a great thing but we also believe there are two sides to every coin. Which leads us back to cyclicality and back to emotions. I think most of you have seen some form of this chart. As we look at this chart, where are the FANGs and the BATs at this point? Have they reached the point of maximum euphoria, maximum financial risk? Certainly, the most euphoria I've experienced in six decades and how about the different value sectors, some of which will come to - it's been a long drawn out bear market for value. Are they now in the capitulation stage, despondency, depression? Maybe even we're getting back to where there's a glimmer of hope. We'll get to that.

But to the first point, as cycles go, you will not see a much longer and deeper cycle than this. It's been a long painful time for value investing relative to growth. Either this time is different, or as John Templeton has pointed out, that 'this time is different' are the four most dangerous words in the English language. Or if this isn't different, this is the time to get pretty excited about value investing. We think the latter. We think things are encouraging. When it comes to value, or it comes to the concept of judgment and second level thinking, we've noticed that just like we saw in 1999, many formerly value investors are redefining value and it becomes painful to be a true value investor. In the late '90s, everybody rebranded themselves as GARP investors.

Now, we've noticed that most value investors have rebranded themselves as quality franchise investors. At that point, somebody must ask...is quality good? Quality deserves a premium, but at some point when the return on capital soars way above what it's been in the past for similar companies, is that sustainable? And when those returns have been augmented by massive increases in debt, is that sustainable? Is that a good thing? When it's been financially engineered, is that sustainable? At any rate, it's been three years since the Federal Reserve stopped pumping money.

For people that are still true value investors, where is the value? Does scarcity still matter? As we've seen a rapid proliferation in financial assets, are they actually worth more? We see this happen even as we run into scarcity of certain commodities. We can have healthy debates on the true scarcity of real assets, but I don't think there's any debate on the plethora of financial assets. One would not expect to see real assets the cheapest that they've ever been. But maybe in the age of SpaceX, mankind will move beyond the need for earth resources. You know, we don't think this is the case.

Furthermore, on the earlier concept, again, you have the price of stocks go up way faster than earnings go up. Can you have the price of real estate go up way faster than rents go up? Can you have the cost of living go up faster than people's wages go up? Who's going to support these assets prices? We think with value, people need to look for the assets that have not already inflated beyond their fundamental underpinnings. So, what's in scarce supply for sure now is common sense. But if common sense eventually returns and it must, this shows where we are in the cycle. There is a time for active management. That time is after it's been out of favor. This [cycle] is pretty long in the tooth and the opportunity for active management gets better and better as less people even try to ascertain where value is.

So if people believe in passive investing, there are lots of wonderful opportunities. We don't need to discuss that. For people that still believe that analysis adds value, we will suggest that when active, stock-based, research intensive, value investment management returns to favor, and the further you are from the index, the safer you're going to be. We will point out that our three-year tracking error is 17. And not only is the tracking error high and we're a lot different than the index. We don't do that just to be different. We do that because in a highly bifurcated market, we have an opportunity to buy what others aren't buying, and what other people are not buying right now is true growth. They're paying up for highly engineered growth in the U.S. but giving away true growth in the growing parts of the world, hence our overweight in emerging markets. They tend to not be paying up for scarcity hence our opportunity to be buying natural resources around the world at very distressed prices. And we're able to do so by buying, not this down and out devalued companies, we're talking market leaders in most of the fields we're in. So that highlights the opportunity and that applies to both our International portfolio and our Global All-Cap portfolio.

And we don't do [purchase] these [companies] just because it's exciting. As a matter of fact that's not all the reason we buy those areas. We buy them because the best areas are also the most attractively valued. Buying global leaders across the world in a lot of industries that are here for the long run, you would expect to pay premium valuations, not some of the lowest valuations we've ever seen 69% of book value, that's tangible book value. Enough said. And you can see that most of the other valuations are pretty attractive too. So obviously, we're excited about that.

Now, value over those centuries has tended to perform pretty well. When does it perform best? It performs best precisely when it is just finished performing the worst. This chart gives an idea of after five years of underperformance, how value stocks have done in the past. We will nominate that now is one of the worst five-year periods for value investors. We think now is the time where people at least ought to consider having some value in their portfolio. And if we're wrong, if this still has more time to run and we have to wait for the value to play out, the upside is tremendous. We think the market is paying us for patience. If it takes a year, two years, three years, five or six years, the returns are likely to be very good. We're buying some really good companies at attractively valued prices.

So with that, we're happy to entertain questions.

Operator: Thank you. To signal for a question, please press star 1 on your touch-tone telephone. Also, if you are using a speakerphone, please make sure your mute button is turned off to allow your signal to reach our equipment. Once again, it is Star 1 at this time if you do have a question and we'll pause to give everyone the opportunity to signal.

We'll take our first question from Adele Gorrilla with Zunis Investments. And caller, your line is open. Please check your mute button. We're unable to hear you.

Adele Gorrilla: Hi, Dave. Sorry about that. I was on mute. I was hoping that you could talk about tariff discussions and impact on the portfolio or any opportunities you're seeing because of it?

David Iben: Certainly. Tariffs are one of many highly controversial things that have been happening over the last year or two. Usually, the market reacts pretty poorly to unknown or disturbing events, but what we've seen is what I've talked about earlier is a bifurcation. So, we will point out that we agree with most people that history and logic demonstrate that tariffs slow growth. Tariffs increase inflation. Tariffs increase uncertainty, but we are bottom up investors, so we don't put a lot of faith into that, but we do take notice to what other people are doing about it.

It's interesting to see how the prospects of these sort of things have caused big discounts to intrinsic value in the emerging markets. Some of these markets have been clobbered. Some are down 25%, even 35%, in the last couple months. So, we think even though tariffs are likely to be problematic, these [prices] have fallen way too much and so that's given us opportunity to buy some really good companies at some cheap prices, many of which really aren't even exposed to tariffs. And then in the U.S., which is the source of a lot of the changes in those global paradigms that seems to be the only market that doesn’t care. So that market seems to go up almost every day with the NASDAQ now up 13% to 14%, while other markets around the world are down big.

So we think maybe caution is in order around the world. Maybe things should sell at 2%, 3%, 4%, 5% cheaper than they used to. You have some markets are 35% cheaper and others are 13% more expensive. Bottom up that's obviously leading us more outside of the U.S. and certainly into the growing parts of the world, and often with opportunities to buy companies that aren't even export oriented. So we don't like the uncertainty, but we do love volatility because it creates a chance to buy low and sell high.

Adele Gorrilla: Very good. Thanks.

Operator: And once again it is star 1 if you do have a question. Moving on, we'll go to Anthony Eichler with Venture Pacific.

Anthony Eichler: Hi, Dave. Just quick question on some of these commodity prices. I know a year ago, gold made its low in July. We're seeing that with copper as well and copper tends to be more of an industrial metal and demand for copper long-term, a combustible engine uses 56 pounds of copper. An electric car uses 156 pounds of copper and if you look at the mandates in California with solar power and everything else, just a quick comment on copper and commodities in general making some yearly lows here and the thought pattern between the opportunities just becomes that much larger, you would think, when markets like this normalize a bit.

David Iben: Yes, we certainly agree with that. Just like with the last question, there's more uncertainty and there's positives and there's negatives out there. But we've always agreed with Benjamin Graham’s premise that in the short run, the market is a voting machine, in the long run, it's a weighing machine. So let's start with gold. The gold price is going down. It's certainly people’s vote, it’s sentiment. It will go down until it stops going down. Long run fundamentals will kick in. Has it been going down because the U.S. has erased the budget deficits? No. If somebody had said trillion-dollar deficits would be bad for gold, I would have laughed at them. Certainly, that's good for gold. Money supply last year, worldwide, not in the U.S. was faster than any time in the history of mankind. That’s certainly good for gold. Is the price of gold down because somebody miraculously came up with a new technology that made it less expensive to mine gold? No, gold is more expensive to mine than ever really. Is the price down because somebody stumbled onto a huge amount of gold? No, there's been almost no significant gold found in decades and so the fundamentals don't argue for gold.

Now, to take gold and add copper, and add natural gas, and add uranium, and add all kinds of things. The second part, the weighing machine, its basic Econ 101. There is a price at which people will produce something and a price at which they'll demand. And if the price goes up, people demand less, and people produce more. That works on lots of things, but it especially works in commodities. If, when oil got to $140, everybody and their uncle went out and borrowed billions of dollars to look for oil. They found it. At the same time, everybody was getting rid of their big gas guzzlers and then the price fell to $28. Now, at least in the States, everybody owns a pickup truck or an SUV and no one cares about economy anymore. And yet people stopped looking for oil and gas. And so, the price didn't stay at $28. It bounced back.

And so that will happen. When the price of gold was $250, people weren't looking for it. When it was $1,900 we saw a big increase of mining and now, nobody is building a major mine. That will normalize. The price of uranium, it was in the teens, nobody was looking for it. When demand picked up a little bit, it caused the price to go to $137. $137 that caused Kazakhstan to bring up a tenfold increase in the production. Now, the price of uranium is down to $23. At $23, nobody is building mines. People are shutting mines. Cameco shut the best mine in the industry. The Russians are not selling uranium anymore. The Department of Energy is not selling uranium anymore. Kazakhstan cut back what they're selling, and Cameco has cut back what they're selling, just as the Japanese have bought a handful of plants back online and the Chinese are having some success building the first few of 60 that they're building.

So natural gas, uranium, gold are absolutely compelling. Outside of that, copper and others seem interesting too. We think they are below the cost that would balance supply and demand. Copper is a little higher than gold, we think 50% higher. We think uranium is three times higher than it is now plus or minus. So absolutely in the long run, it is absolutely a wonderful thing that we are able to back commodities at this price but it's painful as they get a little cheaper each and every day. But for the long run, for patient investors, we'll all look back on this very fondly I think.

Operator: And as a final reminder, it is star 1 at this time if you do have a question. Again, we'll pause. And moving on, we'll go to Dan Gallagher with UBS.

Dan Gallagher: Dave, could you discuss any kind of changes, any new additions, or sales, or what's happened in the portfolio the last couple months?

David Iben: Yes, certainly. Be happy to do that. I mentioned earlier we have a very different view on volatility than others. It's been five, six years where people haven't done a lot and we haven't had to do a lot. What's been cheap is cheap and what's expensive, expensive. Volatility, a few times in the last six months, has really picked up. And volatility that gets a chance to buy low and sell high. So, what we saw a few years ago in the gold space was the really premium companies, the royalties got cheap, that's a rare thing. We were able to buy that. So far this year, gold has been going up where most other gold companies have gone down. So, we eliminated Royal Gold and we reduced positions in other strong gold companies like Dundee Precious Metals, Kinross, and Lundin. And we were able to use that to buy Polyus, which is one of the bigger, more attractive mines in the world, and also a little one in International Tower Hill and add to positions in New Gold and Newcrest and others that have come back into range.

We've said within agriculture it's interesting how a year or two ago, people liked parts of the world but didn't like Brazil. This year, they like Brazil better and things like SLC Agricola, run up multiples, so we we're selling it. So that's gone. We've been able to add to Golden Agri, which is in Indonesia, trades in Singapore, and we were just having a discussion earlier on some of the ones we were able to sell or trim at a profit and the ones in Ukraine have come back to values where maybe we'll be able to add to that.

It's interesting, a few years ago, Japan was not liked and earlier this year, Japan was loved and we were able to trim various positions there. Then it started falling. But still Japan Steel Works [was] something we were able to trim a little bit of in the second quarter. Now, Japan Steel has corrected a bit, and at some point, could be back in there. I think last quarter, we had talked about how we had trimmed Sberbank in Russia. This quarter, we were able to buy it back at cheaper prices. Elsewhere, we were able to trim Mitsui which has done well in Japan. The telephone space we found interesting for the last couple decades. And so, a few years ago we were able to trim things like China Mobile. This last year, we bought it back. KT Corp in Korea is one where it went from $11 to $17. We trimmed, went back to $11, and bought it back again. China Telecom has more recently become very cheap.

There's a few other ones. But in general, it's been I think a number of years since we've been able to talk about this kind of activity in the portfolio. So absolutely we're hoping volatility has maybe gone down a little bit judging by the VIX but certainly, the fundamentals will dictate that we'll be seeing more volatility going forward and as I mentioned, active managers like volatility and like bifurcation. And I think we will see much of that in the near term.

Dan Gallagher: Thank you, David. Also, could you comment on the S&P put bet or that cost of insurance, what we should think about that in terms of drag, in terms of the market just kind of grinds higher. I know that looked incredibly brilliant and I don't know if you trade around that when that work -- well, I don't know if it was January or February when it corrected -- but what does that do for us? How big a magnitude of a correction would it take for that to be added to?

David Iben: In the last couple years, any flashes of brilliance have been short lived for value investors, but we think there will be more in the future. And as investors, so we appraise businesses and we buy stocks when they're too cheap. And those that have been invested with us for numbers of years have known that there's been times in the past where we've bought bonds or convertible bonds or plays on commodities and times way back where we wrote call options.

So, we're out to make money. We're looking for gross mispricings. We like to have 50 to 100 representations of mispricings in the portfolio and we fully expect to be wrong on a third of them. It's interesting how often the ones we think we're going to be right on, we're wrong, and the ones we think we're going to be wrong on, we turn out right pretty quickly and meaningfully. We can buy two or three utilities and one will go down while the rest go up, or a few years ago, we stubbed our toe on Peabody Coal and made a lot of money on our energy portfolio that year just because the other ones went up a lot. This falls right in that vein. We are prepared to lose a maximum of 1% every couple months and we will keep doing it as long as the price we have to pay is obscenely low. And if you look at volatility over a number of decades, these prices are obscenely low. That's interesting to be able to pay an incredibly low price for a security that is intrinsically maybe more valuable than it's ever been. A put option of course makes money when the market falls. When will the market fall? Who knows? Will it fall again someday? Absolutely. Markets are cyclical and how much and from where, we don't know.

To your question, we've been able to buy these things at a low enough price that any 20% to 30% correction should make anywhere from 10 to 30 times our money. We would probably trim a bit along the way and if it makes 20 times its money from the second we buy it, we've made 20 times. Sometimes they drop in half before they go up 20 times and we only make 10 times. So, we have no idea whether this will be in the camp of the one-third of the things that we're wrong on or whether it's just a matter of time before we're right. If - and when it works, it will presumably pay out handsomely and it will do so fortuitously in a time where the market is otherwise going down.

So, we're not buying this as a hedge but that's an advantage. So, lose a percent or make 10%, 20%, and 30%. That's the proposition and we hope the implied volatility people make us pay will continue to stay low until this gets around to working, which it should someday.

Dan Gallagher: Thank you.

Operator: And next, we'll go to Jerry Vandemotter with UBS Financial Services.

Jerry Vandemotter: Yes, I had a question about China and the growth. If it's truly real, cities built for nobody, as well as - and I know that would affect the commodities out there. And the other question I had is some of the companies in the commodity area have taken on quite a bit of debt and you don't want to get trapped in something like Peabody where you get trapped in that because management basically got pushed around by a hedge fund manager or something. I don't exactly know what happened there. It's just a question there. Thanks.

David Iben: Sure. China is a fascinating place. I think with a lot of investments, we always try to keep in mind that there are two real sides to every story. I think in 1929, in the United States, people that said the U.S. had a good century ahead of it were proven right and people that said there was too much debt in the system and there had to be a comeuppance were certainly right. And 1989, when Japan was priced as if it was worth as much as the rest of the world put together, people have said that was too expensive were right. But people that said the Japanese had gone from losing a war to dominating the automobile space for a long time, and for those of you who remember dominated the electronics. The U.S. right now is priced at over half the world. That's something that people should at least be factoring into what they want to pay for U.S. stocks.

But more specific to China. I would suspect time will show that people that say 1.3 billion people that have a history of being good traders, and smart people, and are cranking out all kinds of great technology and working hard, and quickly dominating the world in a lot of things that that means the next century could likely be a good place for China. I think that will likely be true. To your point, we are strong believers that you can't print money for nothing and that the massive amount of money that China is trying to incent the financial prices, the massive amount of debt and the amount of money I think as a percent of the economy, three times what ours are, and whether that money was used to build cities to nowhere, we'll see to the extent of that. And the fact that they did create a colossal bubble in commodities that took prices way too high ten years ago, that's a fact, followed by a colossal bust in commodities. So those happened.

So yes, people should not be buying commodities based on China is going to go up forever, that's what got them burned ten years ago. "China is doomed and will never do anything again" that's what gave us the opportunity to buy oil at $28 a few years ago and possibly what's given us the opportunity to buy other commodities really cheap now. We prefer to bottom up invest and find good companies. And five-six years ago when they were giving away Japan, we'd say yes, we share the fear that they have too much debt and that's going to end badly so we want a big discount. They gave us multiples of a big discount three years ago and a little bit again now. People said Russia has got a tough history and there's a lot of skirmishes and maybe that should be avoided. We said the same thing. There's some real good companies. Maybe we should want a really, really big discount to buy there. And people gave us just breathtaking discounts and that worked out very well for the portfolio.

China, like I say, we share the concerns. But now that the A share market dropped 20% in the last couple months, some things a lot more than that. And so, we really haven't dabbled in China much before. All railroad positions and phone companies, now we're buying another phone company, and we'll look at others. But we think China has got a very promising but volatile future ahead of it. And we want the big discounts and the market is starting to give them to us. You didn't ask but same thing with Turkey. So that's where we want a way bigger discount there than we want in China and Russia, but the market is starting to give it to us. Maybe you'll see some names there in the future. Time will tell.

It's not whether things are good or bad. It's whether things are priced worse than they are, or priced, say in the future, the NASDAQ priced for better than they could ever possibly meet. So that's our approach to China. It's a fascinating place.

Jerry Vandemotter: Okay.

Operator: And moving on, we'll go to Nam Nguyen with Battery Global Advisor.

Nam Nguyen: Hi. Thank you so much for taking the call. I'm just wondering if you can comment on Northern Dynasty. So I understand that the reserve is probably worth a lot of money but what will happen to the stock if the company fails to obtain the permit to start the project? And then I guess the follow-up question could be given the binary characteristics of the situation, what probability do you assign for that to happen?

David Iben: Yes, that comes up - sort of like the option we talked about earlier where what do you do with something that you might lose your money, but you might make 20 times your money. Northern Dynasty is in that camp. We have lots and lots of resource rich companies in gold, and uranium, and platinum, and natural gas where we might lose our money, although we doubt it because the resources are so rich and most of them are priced even below liquidation value. We don't expect to lose money, but it could happen. Or maybe we make three times the money. So, we have a lot of these that maybe we lose and maybe we make three times our money. And so, in a diversified portfolio that works out pretty well. Now, after the recent drop there's things that we think we made four or five times our money. And then Northern Dynasty, we think, is probably worth at least 30 times where it's selling, probably a lot more than that. And so, there's all kinds of ways this can work out. Prices can stay down and what happened a few years ago is they have to keep issuing shares and maybe the pie gets divided in more parts and that hurts us. Or maybe they keep spending money on lawyers and that hurts us.

On the other hand, maybe things like we saw last year where another mining company came in and gave them a bunch of money just for the right to take a look, and then walked away and left them with the money. You'll probably see more of that. And as you suggest, they have one of the biggest resources that anybody is aware about on this whole globe. And gold and copper also. Incredible resource. And so, this is a business where if you want to find gold and copper in other places, so often it means you're going way up in the Andes Mountains or you're out in the Gobi Desert, or you're wandering around Western Africa, an island somewhere. It's a very, very difficult business.

This is in the United States. So that's a pretty amazing thing. This is a very, very, very valuable project with lots of obstacles. We don't expect a lot of good to happen in the near term but huge, huge, huge upside. We're happy to have this as one small part of a very attractive and diversified portfolio.

Nam Nguyen: Okay. Got it. Thanks.

Operator: And there are no further questions. I'll turn it back to our presenters for any additional or closing comments.

David Iben: Okay. I just want to thank everybody for dialing in, in these particularly challenging but fascinating times and hope everybody has good summer. Thank you.

Operator: That does conclude today's conference. We'd like to thank everyone for their participation. You may now disconnect.

Kopernik reviews the audio recording of the quarterly calls before posting the transcript of the call to the Kopernik web site. Kopernik, in its sole discretion, may revise or eliminate questions and answers if the audio of the call is unclear or inaccurate.

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