



## KOPERNIK INTERNATIONAL FUND

Second Quarter 2021

Dear Kopernik Investor,

Below, please find the mutual fund performance of the Kopernik International Fund (“International” or “Fund”) as of June 30, 2021.

### Fund Performance

As of June 30, 2021

Class	June 2021	Q2 2021	YTD	1 Year	3 Year <sup>1</sup>	5 Year <sup>1</sup>	Since Inception <sup>1</sup>
Class I <sup>2</sup>	-1.74%	7.85%	15.04%	33.68%	13.76%	10.24%	10.84%
Investor Class <sup>3</sup>	-1.75%	7.81%	14.86%	33.44%	N/A	N/A	19.35%
MSCI ACWI ex-USA (Net) <sup>4</sup>	-0.65%	5.48%	9.16%	35.72%	9.38%	11.08%	7.20%

<sup>1</sup>Annualized

<sup>2</sup>Class I inception date: 06/30/2015.

<sup>3</sup>Investor Class inception date: 12/10/2018.

<sup>4</sup>MSCI ACWI Since Inception period in the table above begins on Class I inception date 06/30/2015.

*Past performance does not guarantee future results. The performance data quoted represents past performance. Current returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost, and current performance may be lower or higher than the performance quoted. For the most recent month-end performance please call Kopernik Funds at 1-855-887-4KGI (4544) or visit [www.kopernikglobal.com](http://www.kopernikglobal.com).*

Gross expense ratios for the fund - Class I: 1.11%, Investor Class: 1.36%

Net expense ratios for the fund - Class I: 1.10%, Investor Class: 1.35%

Expense ratios shown are reflective of the Fund's current prospectus.

*Kopernik has contractually agreed to reduce its fees and/or reimburse expenses in order to keep Total Annual Fund Operating Expenses (excluding interest, taxes, brokerage commissions, acquired fund fees and expenses, and non-routine expenses) from exceeding 1.10% of the Fund's Class I shares' average daily net assets and 1.35% of the Fund's Investor Class shares' average daily net assets until February 28, 2022.*

### WHY KOPERNIK?

Philosophically, we view ourselves as owners of businesses. Our job is to appraise these businesses and take advantage at times when an inefficient, emotional marketplace offers securities at a price that is significantly different from our appraisal. Like our namesake, Kopernik (better known by his Latin name – Copernicus), we trust the results of our own analysis even when (especially when) it generates vastly different conclusions from those of the crowd and/or those taught by many academics. Similarly, we commonly question the data issued by governments, central bankers, and companies themselves. We understand that bargains appear often because people focus on fear or panic, and other forms of risk that are not relevant to the investment portfolio. High tracking error, bad headlines or unpopular stocks/countries/ regions/industries can present a degree of risk to a manager's career, while often lowering the potential of permanent loss of capital (due to lower initiation prices and higher potential upside) to the portfolio. Similarly, Kopernik believes volatility and other measures of past price movements are not relevant to long-term investors' assessment of risk. It can be indicative of potential risk to short-term speculators or to highly levered players but can often present opportunity for true long-term investors.





## QUARTER REVIEW

For the second quarter of 2021, the NAV of Class I Shares of the Kopernik International Fund returned 7.85% compared to a 5.48% return for the MSCI All Country World ex USA Index.

For the third quarter in a row, holdings in the energy sector made the largest contribution to the Fund, contributing 4.2% to total Fund returns.

Similar to the first quarter, the Fund's two largest contributors for the quarter were natural gas companies. Gazprom PJSC ("Gazprom"), one of the Fund's largest positions, was up 27.4%, a 1.1% contribution. Gazprom is the largest natural gas producer in Russia, with a monopoly on natural gas exports to Europe. In our opinion, the fundamentals continue to support higher natural gas prices in the future. The Fund's Canadian oil and natural gas producers also had a strong quarter. MEG Energy Corp ("MEG"), Cenovus Energy Inc ("Cenovus"), and Tourmaline Oil Corp ("Tourmaline") contributed positively, building on their gains from the previous quarter. All three companies are Canadian oil producers with long-lived assets. Cenovus also has natural gas and natural gas liquids production, as well as downstream assets in the U.S. and Canada. MEG was up 39.5%, a 0.5% contribution; Cenovus was up 27.6%, a 0.7% contribution; Tourmaline was up 51.0%, a 0.3% contribution. We trimmed positions in the four companies on strength.

As we discussed last quarter, the market opportunities in oil and natural gas have been, in large part, the product of two factors: a COVID-related temporary drop in demand, and, in our opinion, a passive approach to environmental, social, and governance ("ESG") factors that have resulted in various misallocations. With regard to the latter, it is our belief that buying shares on the secondary market does not impact sustainability factors negatively. Additionally, we prefer an integrated approach and engaging with companies to minimize the negative effects and/or affect positive change. As to the former, more countries are lifting COVID restrictions and causing the oil demand to rebound quickly. Supply has not kept up, and, as a result, the oil price is the highest it has been in seven years. Importantly, the energy production companies continue to trade at discounts to Kopernik's risk-adjusted intrinsic values.

Uranium companies also built on their gains from the previous quarter. One of the Fund's largest positions, and a position the Fund has held since inception, is the Canadian uranium producer Cameco Corp ("Cameco"), which was up 15.5%, a 0.7% contribution to total Fund returns. Other uranium producers were also positive contributors. NAC Kazatomprom JSC ("Kazatomprom"), the world's largest uranium producer, was up 17.9%, a 0.6% contribution. We trimmed Cameco and Kazatomprom.

Uranium is trading well below its incentive price, suppliers have extended their production cuts and/or are keeping mines closed, excess inventories are declining, and new nuclear reactors are being built (there are currently 54 under construction, primarily in emerging markets). Further, while we are not modeling in a significantly higher demand for uranium, the political environment is seemingly more supportive of nuclear power, which is an inexpensive, zero-carbon, and stable source of electricity.

Other top contributors were spread across multiple sectors and were primarily in emerging markets. In communication services, two South Korean telecom companies performed well. KT Corp ("KT") and LG Uplus Corp are the second- and third-largest Korean phone companies, respectively. KT was up 12.5% and LG Uplus was up 25.9%, contributing 0.4% and 0.5% to returns, respectively. In utilities, Centrais Eletricas Brasileiras SA, Brazil's dominant electricity provider, was up 45.3%, a 0.2% contribution. In industrials, aircraft manufacturer Embraer SA ("Embraer"), was up 39.6%, contributing 0.2% to returns. In financials, Sberbank of Russia PJSC, the dominant bank in Russia, was up 15.5%, a 0.3% contribution. In agriculture, palm oil producer Golden Agri-



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Resources Ltd was up 11.6%, a 0.2% contribution. Like energy and resource companies, palm oil is a commodity that has an undeserved negative ESG reputation, in our opinion. Palm oil is by far the most land-efficient food oil, and while palm oil companies have had a difficult past with environmental and social issues, they have made significant strides towards better ESG practices. We trimmed KT and eliminated the Fund's position in Embraer on strong price appreciation.

The Fund also saw a positive contribution from copper miners, as the copper price remained strong throughout the quarter. Ivanhoe Mines Ltd, which owns the largest undeveloped copper project in the world, Kamoakakula in the Democratic Republic of Congo, was up 40.3%, a 0.7% contribution. Turquoise Hill Resources Ltd ("Turquoise Hill"), one of the Fund's largest holdings, was another positive contributor. Turquoise Hill owns the majority of the Oyu Tolgoi copper/gold mine in Mongolia, one of the largest copper/gold projects in the world. The company was up 4.9%. The Fund also saw a positive contribution from some of its gold holdings. Polyus PJSC ("Polyus"), the largest gold producer in Russia and estimated to be the world's largest gold company by reserves, was up 7.7%. Both Turquoise Hill and Polyus made a 0.3% contribution to Fund returns. We trimmed Turquoise Hill.

While materials as a sector made a 1.5% contribution to returns, many of the Fund's mining holdings were down. The Fund's second-largest detractor was Centerra Gold Inc ("Centerra"), a Fund position initiated in April. Centerra is a Canadian gold producer which owns mines in Kyrgyzstan, Canada, and Turkey. Beginning in early May, the government of Kyrgyzstan began taking aggressive steps towards the Kumtor mine by passing a law that would allow government control of the mine, supporting a \$3 billion environmental civil claim, and overriding the 2009 Investment Agreement which settled past claims and provided certain protections to Centerra. As of May 15, 2021, Centerra had stated that the government had effectively seized control of the mine and that Centerra was initiating arbitration proceedings to enforce its rights under the longstanding Kumtor investment agreements. Centerra was down 17.8%, a 0.2% deduction from returns. We added to Centerra. It continues to trade at a discount to Kopernik's risk-adjusted intrinsic value, and trades at a discount to the value of the company's other properties, without Kumtor. Kumtor, however, is a substantial asset and we are hopeful that the government and the company can resolve their disputes.

Other precious metals mining companies were down as well. Equinox Gold Corp, a Canadian mining company with 12.5 million ounces of gold reserves, was down 12.8%; NovaGold Resources Inc, whose Donlin Gold project in Alaska is a long-lived asset with 39 million ounces of gold, was down 8.6%; Fresnillo PLC, the world's largest primary silver producer, with all assets in Mexico, was down 8.9%; Impala Platinum Holdings Ltd, one of the world's largest platinum producers that also mines palladium, gold, and rhodium, was down 11.1%. Each was a 0.1% deduction from total Fund returns.

We continue to be optimistic on the fundamentals for gold. The central banks doubled the monetary base last year and have increased it ninefold since 2008. Meanwhile, the price of gold is lower than it was in 2011 and real rates are negative. The fundamentals bode well for higher future gold prices, in our opinion. Importantly, the mining stocks are undervalued, even without a gold price increase. As a reminder to our investors, we demand a large margin of safety before we invest in mining companies, and only invest when there is significant upside. In addition, diversification across countries, management teams, balance sheets, and assets is an important part of our process.

The Fund's largest detractor was Suzuken Co Ltd, Japan's third-largest pharmaceutical distributor, which was down 25.1%, a 0.3% deduction.

The Fund had several new initiations during the second quarter. The Fund initiated positions in DL E&C Co Ltd, a Korean engineering and construction company that also has a housing-related building and development business, trading at a one-third discount to tangible book value; TS Tech Co Ltd, a Japanese manufacturer of automobile seats that also trades at a significant discount to tangible book value; Harmony Gold Mining Co Ltd, a senior gold producer based in South Africa with gold and copper



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assets in South Africa and Papua New Guinea; Gazprom Neft PJSC, a Russian oil & gas company with long-lived reserves in Russia, Serbia, Iraq, Angola, Romania, and Belarus, which trades at a significant discount to its theoretical value; and, as described above, the gold company, Centerra.

The Fund eliminated positions in Embraer and Bezeq – The Israeli Telecommunication Corp Ltd as prices appreciated.

In closing, we are pleased by the Fund's performance in the second quarter and continue to be excited by the portfolio's significant potential for upside over the long run. We persist in opportunistically buying and holding companies that we believe are trading at significant discounts to their risk-adjusted intrinsic value, using volatile times to our advantage. You can count on us to employ our disciplined, fundamentals-based, long-term approach that has produced a proven track record through full market cycles.

As always, thank you for your continued support.

Kind Regards,

Kopernik Global Investors, LLC

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<sup>1</sup> *Kopernik views ESG considerations as one of many proprietary fundamental tools in assessing the risk-adjusted intrinsic value of an underlying business. In addition to our rigorous bottom-up research, we believe this process helps identify the long-term sustainability of businesses. We incorporate ESG factors into the investment process in two distinct ways: stock selection and shareholder engagement. Through independent analysis, we identify the material ESG risks, which help inform our overall company specific risk adjustment factor. Additionally, through face-to-face meetings, letters or other correspondence, we make a concerted effort to convince company managements of the benefits of incorporating sound ESG principles in their capital spending and operational decisions.*





## Important Information

Mutual fund investing involves risk, including possible loss of principal. There can be no assurance that the Fund will achieve its stated objectives. Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus. Investments in foreign securities may underperform and may be more volatile than comparable U.S. securities because of the risks involving foreign economies and markets, foreign political systems, foreign regulatory standards, foreign currencies and taxes. Investments in foreign and emerging markets present additional risks, such as increased volatility and lower trading volume. For more information on the Kopernik International Fund, call our toll-free number at 1-855-887-4KGI or email [funds@kopernikglobal.com](mailto:funds@kopernikglobal.com).

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This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we may describe or imply. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements. We do not intend to update these forward-looking statements except as may be required by applicable laws.

Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. As a result, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements.

The top ten holdings of the Kopernik International Fund as of June 30, 2021, are as follows: 1. Gazprom PJSC (4.0%), 2. Newcrest Mining Ltd (4.0%), 3. Cameco Corp (3.4%), 4. Turquoise Hill Resources Ltd (3.4%), 5. NAC Kazatomprom JSC (3.1%), 6. KT Corp (2.9%), 7. Wheaton Precious Metals Corp (2.9%), 8. Polyus PJSC (2.8%), 9. Golden Agri-Resources Ltd (2.3%), 10. Cenovus Energy Inc (2.1%). These positions may change over time without notice. The holdings listed should not be considered recommendations to purchase or sell a particular security. It should not be assumed that securities bought or sold in the future will be profitable or will equal the performance of the securities in this portfolio. Current and future portfolio holdings are subject to risk.

Please consider all risks carefully before investing. An investment in a Kopernik Fund, or any other vehicle using the same strategy, is subject to many risks including sudden changes in general market valuations and market liquidity. Investments in small and mid-capitalization companies also tend to involve greater risk and portfolio price volatility than investments in larger capitalization stocks. Further, investing in non-U.S. markets, including emerging and frontier markets, involves certain additional risks, including potential currency fluctuations and capital controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity, less disclosure, and the potential for higher market volatility, share expropriation, confiscatory taxation, and social, economic and political instability. Further, investments in energy and other natural resources companies tend to be greatly impacted by developments in global commodities markets, which can be more volatile than equity markets.

Countries worldwide have experienced outbreaks of infectious illnesses and may be subject to other public health threats, infectious illnesses, diseases or similar issues in the future. Any spread of an infectious illness, public health threat or similar issue could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and generally have a significant impact on the economies of the affected country and other countries with which it does business, which in turn could adversely affect investments in that country and other affected countries.

**Past performance herein should not be construed as an accurate indication of future returns.**

The MSCI All Country World ex-USA Index is an un-investable index that captures over two thousand primarily large and mid-cap companies across 22 developed and 27 emerging market countries as of June 30, 2021. The MSCI indices returns do not reflect any management fees, transaction costs or expenses. Individuals cannot invest directly in an Index. Additionally, The MSCI All Country World ex-USA Index is



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different from the strategy in a number of material respects, including being much more diversified among companies and countries, having less exposure to emerging markets, and having no ability to invest in fixed income or derivative securities. MSCI ACWI ex-USA performance includes theoretical dividends distributed. Past performance is no guarantee of future results.

**This material must be preceded or accompanied by a current prospectus. Investors should read it carefully before investing.**

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