

KOPERNIK GLOBAL INVESTORS, LLC

**Edited Transcript of the 3<sup>rd</sup> Quarter 2022  
Conference Call with David Iben and Alissa Corcoran**

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4:15 pm ET

Mary Bracy: Good day, ladies and gentlemen. Welcome to Kopernik Global Investors - Third Quarter 2022 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. At any point during the call, please type your question into the Q&A box, and we will answer as many of them as possible during the Q&A session.

At this time, I would like to turn the call over to Mr. Kassim Gaffar. Please go ahead, Mr. Gaffar.

Kassim Gaffar: Thank you, operator. And again, welcome everyone to the 3<sup>rd</sup> Quarter 2022 Conference Call. I have with me, David Iben, our CIO and Lead Portfolio Manager for the Kopernik Global All-Cap strategy and co-PM for the International strategy, and also Alissa Corcoran, our Deputy CIO and co-PM for the Global [All-Cap] strategy and Director of Research. Before I pass the call to David and Alissa, I'll be providing a quick firm update.

Overall firm assets at the end of the third quarter, were roughly around \$5.5 billion. The slight reduction from earlier in the year was primarily due to market action. Moving on to the personnel side, no changes to report. We ended the quarter with 41 employees and have continued to be stable with minimal turnover since the inception of the firm.

That brings us to the end of the business update. Please note, Dave, and Alissa would be referring to the presentation, which can be found on our website [kopernikglobal.com](http://kopernikglobal.com) under the News & Views section. Also, whilst on the website, you can also access Dave's most recent commentary, and several other pieces which have been well received by the marketplace.

And with that, I'll pass it over to Dave and Alissa. Dave, please go ahead.

Dave Iben: Okay, thanks, Kassim. Thanks to everybody for joining us.

Certainly, it's a different market than we've seen, I'll say different than we've seen for the last 40 years but we can get to that. For this presentation, we thought we would expand on the recent commentary we sent out, [the JIG'S UP](#). We've received a lot of comments on it, so we thought this would be a good time to expand on it.

One reporter recently asked me: You seem to be predicting like it's the end of the world, that stocks and bonds are un-investable. No, that's not what we're saying at all. We are saying that the dance that's been working in the last 40 years is not the dance that's happening now, that it's time to make a change. 40 years of falling interest rates and stable-ish inflation rates seem to be a thing of the past. So, we're suggesting that the stocks that have done well in the last forty years might not be the same ones that are going to do well in the next 10, 20 years. We can get into that.

As far as the JIG'S, we've got the PIGS dancing, and it is interesting that it was a mere 12 years ago that everybody was really down on companies that had financial troubles; down on companies, down on sectors,





down on whole countries that had financial problems. It was interesting how quickly people change their mind though. Countries and sectors, and meme stocks and SPACs (Special Purpose Acquisition Companies) and other things were the place to be a year ago – they were flying high. We started thinking, as some of these things are going down, what does this mean for the infamous PIGS? So here we have it (Page 5). The PIGS, as people were falling. Portugal and Italy and Ireland was in there too sometimes, and Greece, Spain. Look at these rates. As far as Ireland, Portugal and Greece, double-digit interest rates, back a decade ago. Over the last couple of years, all of them were paying less than zero. So, as this article says, investors were paying them for the privilege of lending them money. What a difference for Greece to go from paying 35% to negative interest rates!

And so with that in mind, what should we think of the world? Over the last three, four, five years we've been hearing more and more that debt doesn't matter (Page 9). Big part of modern monetary theory - pointing out that the government's debt is the private sector's assets. And so others say that debt does matter (Page 10). If government's debt is the private sector's assets - that might be true. But it also means that the private sector's assets might not prove to be assets at all, because they are really the liabilities of those who don't have the wherewithal to make good on their obligations. So, things to think about.

We have the famous Chuck Prince saying that you got to dance when the music's playing (Page 11). Our message once again is, it's not that the music stopped, it's that they've changed the tune. We suggest people find a new dance. If it's time to do that, where? And evidence that it's happening. We've seen over the last year: the highfliers over here, we've seen returns to reality by the bankrupt meme stocks, and by the SPACs that couldn't go public with SEC blessing, so they went with SPACs. Some cryptos might be fine, but the ones that were started as jokes were flying high. These are the sort of things that have come back to earth. If one by one the dicey things are coming back to Earth, we started thinking the other day, what does this mean for the PIGS? Are we coming back to where people are going to care that some of these countries don't have the wherewithal to make good?

So, with that, we dusted off the financials and said how are these countries' financials improved since then? (Page 12). And for the bad news, they haven't. But the interesting thing for me is, I don't know who came up with the PIGS thing, but interesting that they left Japan off the list. Japan is far and away more debt-to-GDP than others. So, why don't they belong there? So, we replaced the P with a J. But then we figured the P's doubling, so let's put it in the back. And look at the fourth worst country in the world [United States] in terms of debt-to-GDP. How did they get left out? So we threw that in there. And PIGS becomes JIG'S UP. Spain was switched to Singapore, who has more debt. So that's where we are.

Blasphemy, I know. How can we include the U.S.? The stellar country that has no financial problems. And if we need proof how strong the U.S. is, look at the dollar [U.S. dollar] hitting new highs almost every day (Page 13). A reasonable point. Let's delve deeper. We would suggest that the dollar might not actually be strong. We would say, by comparing the dollars to such weaklings as the Euro and the Pound, and the Yen and Yuan, we set the bar incredibly low. Years ago, back at Tradewinds, I wrote a commentary, Major Tom, talking about space and weightlessness and all that, and perceived motion. It's an interesting topic. If you want to look into it, you can go on and on and on, but we'll just give a few examples.

Famously planets move forward (Page 14). Sitting here on Earth, we have no idea how fast we're flying through space, it feels like we're not moving at all. We can look up in the sky and see Mars or Mercury or others that are also moving forward the same direction look like they're going backwards. People call that retrograde – something going forward appears to be going backwards. People will use examples of trains. If you wake up in the middle of the night, you're on a train, you see something go flying past you - another train – in the darkness it might feel like you're going backwards when in fact you're going forward. The other train is going faster. You've





got rockets, you feel the thrust at first, but once it stables off, you don't feel it. And we'll go with the analog of an elevator (Page 15). We all know when we hit a fast elevator, first it feels like the floor is dropping out from under you, but after a while, you don't feel it anymore. You feel like you're not really moving anymore. In that environment, if you're holding a ball in your hand, we've got some exhibits here, you can drop the ball, but it'll turn out not to be dropping. You can throw the ball up in the air, it'll appear to be going up when in fact it's going down rapidly, just not quite as rapidly as you're dropping down.

So, there are examples, and we could go all day on illusions. We're just suggesting that by comparing the dollar to other fiat currencies, we are setting up an illusion. And think about it, in your daily life, do you really care what the Yen is doing, or the Yuan, or the Euro? No, you care about daily needs, the basics of life, things you want to buy and need to buy (Page 16). If we use the U.S. Government's purchasing power, CPI (Consumer Price Index), this chart shows pretty much that the dollar's dropped 98% over the last century. That means you have to come up with 50x more dollars to buy something now than you would have had to then. That is not a strong dollar. That's a weak dollar. That's what the dollar did during the good times during the height of the strongest empire in history.

So, we believe that people should look at dollars versus things they use those dollars to buy. And this chart would suggest Voltaire had a strong point when he said fiat currencies always eventually return to their intrinsic value, which is zero. A few more slides on the topic (page 17). Health care, especially here in the States, is becoming painful for a lot of us to afford healthcare. This shows what the dollars been doing versus the cost of a hospitals stay versus the cost of pharmaceuticals you might need and other forms of care. So, the dollar is certainly not strong against the cost of living.

Housing, of course, is the biggest cost for many of us (Page 18). The price of houses has been skyrocketing. Here in Tampa, is famously strong in the last couple of years. So great for those of us who own houses, not too bad, for, I mean, not too good for people who own dollars, or hoping to buy a house. The dollar is really lost value compared to housing. So enough on that. People can say, all right, you've made mention in the past that when countries have debt-to-GDP that exceeds 100%, that history shows you don't recover from that. People say, well, why is that? Well, obviously, to make good on debt the governments need to afford to pay that debt. The government can only tax an economy so much. So, the economy has to be of a certain size to help you pay that debt. Now this knocking interest down and holding it at a way too low a rate for a decade and a half; that made it affordable to pay those debts. But the debts are really high, as we're seeing, you can't suppress the interest rates forever without a cost. But people say, look at the yen (Page 19). The Japanese, they were our leaders. They were our inspiration in terms of QE (quantitative easing) and spending amounts of money we don't have and financing it with a central bank purchase of the debt. You guys probably know a lot of very smart people that have been wiped out trying to short Yen on fundamentals, so that would suggest that it's wrong. That having a lot of debt is not a problem and shouldn't be a worry for the currency. We would suggest that in the short run that might be true.

But, here we've got Charlie Munger credited for Ben Graham's quote (Page 20). But yeah we think it's true that in the long run things are run on, in a short run things run on emotions; in the long run, what must happen will happen. Eventually, the market danced to a different tune. The yen's been dropping rapidly of late, and I'm sure you've all noticed that. And Japan seems to be the last diehard of "we can continue to buy unlimited amounts of government debt"; not ending well for them.

Importantly, though, as I mentioned before, people thought that when the money supply spiked that the Yen would fall immediately (Page 21). It didn't. It was strong for another half dozen years after they did that. Then it fell. So here in the U.S., you've had the money supply growing massively over the last three years. Negative a little bit recently. But massive increase, doubling over the last three years, and of course, tenfold up over the





last 15. Slowing down, but maybe three, four, or five years from now, we start feeling the effects of what has happened (Page 22). So, how long until the JIG'S UP for the United States?

Anyhow, as I mentioned the beginning, it's my view that this is the first bear market of my 40+ year career. People can say, what about Japan in '89, and what about technology in '99, or finance in '07. I say yeah, those were pretty nasty. Junk bonds back in the '80s. Those were all isolated to certain sectors or certain countries. But you've heard a lot of people talking about the bubble and everything in the last five or six years. So what bubble is popping now? The bubble in everything (Page 23). This shows down went crypto, down went the meme stocks, down went a lot of highflyers, down went bonds, down went stocks; housing's starting to waiver. So, this feels different. And who knows how much longer it goes on before the Fed reverses course. So, we don't know. But this is different.

As we've talked about in the past, if this is a different, maybe it's time to look back at environments more than 40 years ago to see what worked then and to use common sense on what should work now. Not the end of the world; just time to look for a new dance partner.

And to discuss further the great opportunities we're seeing let's hand it off to Alissa.

Alissa Corcoran: Thanks Dave.

So maybe it is old school, but we still believe that debt matters, that scarcity matters. And we believe it's only a matter of time before the fundamentals are factored into the dollar, and that disillusion disappears.

This chart visually demonstrates how stretched things have become. So they printed and printed, and yet the gold price has just not kept up. So eventually we believe this gold price will snap back. Now, does it snap back to the monetary base backed by 25% (that would be the red line), or does it back the monetary base by 100%? (Page 24). This chart goes back to [year] 2000, but keep in mind, in 1980, the gold price more than backed the monetary base. So that would suggest gold, there's a there's a possibility, gold could be north of \$30,000 an ounce. Now, there's a wide range of possibilities between \$2,000, which is the incentive price, and \$30,000. But at \$1,600 / \$1,650, it's high probability that the gold price goes higher in the long term.

So, we think that investors should use this illusion, use the dollar strength to their advantage: buy scarce tangible assets or franchises that people need, including gold. Now investors often remind us – they say well wait a second, aren't rising rates bad for gold? (Page 25). Let's also look back to the 1970s, and that proves otherwise. You can see rapidly rising interest rates, and gold went from \$35 an ounce up to \$800 an ounce. What investors need to remember is that they need to look at real interest rates. And importantly, in the 1970s, real interest rates were negative all the way until 1981. So, you have rising rates, rising gold price; falling rates and a falling gold price. Real rates are what matters.

The second myth to dispel is that professors say you can't buy commodities during a recession (Page 26). Well, in fact, going back to the 1970s, again this proves incorrect. Some of the best times to buy commodities was during the 1973 recession and during the 1983 recession. Over the decade, you did very well even if you just bought and held commodities. Commodities did better than CPI, it did better than stocks, it did better than bonds; even with a subpar economic growth decade.

So, if you're convinced you should buy gold, how should you buy it? (Page 27). You can buy the physical, which we think will do very well. But it has, it's flat since 2011. The gold miners are an even better opportunity, in our opinion, even risk adjusted. The GDX [VanEck Gold Miners ETF] is down 60% since 2011. And the junior miners are even cheaper (Page 28). They're down more than 80% since 2011. And we own many of the producing







companies, but the best bargains are in these junior mining companies that are sitting on decades worth of gold (they're not in production). In today's world, where cash, near-term cash flow is king, these companies don't look very good from that perspective. They're years away from producing. They would need a lot of money to develop the mine. But if you're using an optionality model, if you have that long-term horizon, these companies are worth 2x-5x, risk adjusted of course. So, the return on patience is very significant, especially in these mining companies.

And speaking of patience, the commodities have been in a prolonged bear market (Page 29). And with the most recent correction, they're even better bargains. And relative to the financial assets, they're still very inexpensive. Gold has been a store of value for thousands of years. And if gold stores wealth, for some time that wealth has been flowing eastwards (Page 30). And given the correction in emerging markets, we think that investors should also look eastward. According to Bloomberg, the emerging market index is in a record bear market (Page 31). It's never stayed down for this long. And GMO also put out a piece suggesting that both their countries where both their markets, as well as their currencies, are cheap. So given what Dave was talking about with Japan, you can debate whether or not the Japanese Yen is undervalued here, or it's just the beginning. You know that's for others to debate. What we agree with, with GMO is that there are many compelling opportunities in Japan, in China, and in South Korea.

Now some will say, well, why even bother with the emerging markets? There's more risk there. Most importantly, the values are very compelling, and we will get into some examples shortly. But in addition to that, if you were to exclude emerging markets, you are not investing in countries that have most of the world's population, most of the land area, and half of the world's GDP (Page 32). We like to keep our opportunity set as broad as possible, so we will continue to invest in emerging markets, and especially when they provide good investment opportunities.

Also, some emerging markets don't seem that different from developed ones (Page 33). If you look at South Korea, which MSCI classifies as emerging markets: there are some areas where the U.S. is better on some of these metrics, but if you're looking at health care, South Korea has a higher life expectancy; they are better on education; they have better Internet access; their budget deficits are better than U.S. So, from that standpoint, you know South Korea looks pretty good. It also looks much better than the U.S. on valuation (Page 34). This is the KOSPI index, and in U.S. dollar terms over 30 years it has gone absolutely nowhere, despite the fact that the South Korea as a country has grown economically. And this also shows you the dangers of buying countries when they're in expensive markets. In 1989, the KOSPI was trading at 40x earnings. And today it is trading it less than 10x earnings (Page 35). It's less than book value; it has a dividend yield of 2.3%, and its market cap is less than Apple's market cap. Keep in mind that the KOSPI also includes Samsung, which is Apple's one of its main competitors (Page 36). So, from these standpoints, you can see that the stark valuation differences between U.S. companies and companies outside of the U.S.

We've also highlighted in the past. Hyundai versus Tesla. Tesla, still even with the correction, has some amazing metrics, amazing multiples. Despite having 7x the market share in electric vehicles, it has 30x the market cap. This, to us, is an illusion. We prefer real values.

China tells the same story as Korea (Page 37). Over the market, including dividends, is the same level as it was in 2007, despite very rapid economic growth. The entire Hong Kong index is now trading at 6.5x earnings. This is very cheap for some very world-class companies. Here is an example just to show some of the valuation differences that we are seeing (Page 38). We took all the number one pharmaceutical distribution companies in the respective countries, China, Japan, and the United States. Sinopharm [in China] is trading 75% of book, 6x earnings, close to 0x sales. And you compare that to the McKesson [in United States] which you know every single metric you look at is much much higher. So, these are the types of things that we're finding and risk





adjusting. Provide some compelling opportunities. Also notice that the current assets of both Sinopharm and Medipal make up a significant chunk of the market cap. So, in some cases, we're getting these businesses for free, and we've mentioned in the past, some of the Japanese companies where the net current assets is larger than the market cap. And you're effectively getting these businesses for free (Page 39).

Volatility continues to be our friend, and as you'll notice with the correction this past quarter, there were a lot more buys than trims, a lot more adds than trims (Page 40). And a couple of things that we're finding is that we are continuing to find value in the areas we've traditionally found value: gold mining companies, for example, some energy companies. But we're also broadening out and finding companies in chemicals and healthcare, financials - so a wide range of industries as the market becomes cheaper.

And with that, I will turn it back over to Dave.

Dave Iben:

All right, thank you. So, if the music is changing; the dance is changing then we would suggest, if you've had this change in dropping interest rates to interest rates going up and stagflation and that sort of thing, then what worked before that 40 years of what's going to work again. We suggested that it was emerging markets then, it was energy, it was gold, it was real assets, and also low P/E (price-to-earnings) stocks. And so, on this market that's otherwise still pretty expensive, we are pretty happy that the opportunities that we've discussed have allowed us to build a diversified portfolio of three quarters of book value (Page 41). And tangible book value for the most part. It's cheap on cash flow, on a price-to-sales, on EV (enterprise value)-to-sales. The market is 4x more expensive. Dividends are something we don't even try for, and so much of our portfolio is in latent value that doesn't have dividends. And we still now have a dividend yield that's pretty good actually. And so, we feel good about the valuations of your portfolio. We think that will help support things in the long run that provide real strong returns.

And we like to point out sometimes to get good valuations, you have to dig into the deep value space (Page 43). That is not the case nowadays. The case nowadays is that those valuations could be had by having a portfolio that (as the lower left shows) is in the growing economies of the world. So, we have forty some odd percent in the growing economies of the world after the emerging markets. If in case stores of value are the place to be, notice we have companies in the material space, in the energy space and in infrastructure, such as utilities and telecom, and increasingly in industrials. And instead of the down and out companies, it's still predominantly industry leaders around the globe. As we mentioned the past, the biggest companies in terms of trading companies, cheap, clean carbon-free electricity, there are some nuclear and some hydro.

Some of the largest undeveloped producers of gold and copper, those sort of things. Uranium, of course we own most everybody of importance in that area. So big world leaders and areas that should do well and at very attractive prices. With that in mind, this is where we hypnotize you (Page 45). Stare at this for a while, we'll tell you why value's good.

But no, seriously, this is meant to, if you stare at it, give you the illusion of motion, which we think is what the dollar index is doing right now. So, we conclude that comparing fiat currencies to other fiat currencies, is probably misspent time. They should all fail as stores of value. We would suggest that in the future, if you want basic needs, such as food and electricity and energy and lodging and whatnot, the time to buy it, is now. Before the dollar loses future value compared to them. So that's where we are. And it's been quite a quarter, so we'd be happy to open things up for questions.

Mary Bracy:

Great. Thank you, everybody. Again, please type your question into the Q&A box, and we'll get to as many of them as we can. We'll go ahead and begin with some questions on cash. But first I want to pass along some





good wishes from an attendee that says they are very pleased that Tampa was spared from the hurricane. And we, of course, send our best wishes to our friends and neighbors down south.

So, our first question is about cash. What is your cash position in your International Strategy? And why is it so much larger than your Global fund's cash position?

Dave Iben: We would point out as long-term investors, cash is not something that we believe is an investment, and it's not anything we hope to hold for the long term. It is residual to our process. So, a couple of points we would like to make is that being residual to the process, cash balances were high in our portfolios last fall, when everything was peaking. We were finding plenty of things to sell. Since that time, we've been putting cash to work, pretty diversified across the globe, but at the same time taking profits in the natural gas and oil and uranium and some gold stocks that were doing well last spring. So, the cash balances bounced back up, and were at unusually high levels.

But what has happened since then, both in the International and in Global is those cash balances are coming down, because now almost nothing's going up this year, as you're all aware. As things are becoming more affordable, the cash balances are coming down. They're back to a single digit in Global [All-Cap], and back to the low twenties in International and falling. Specifically, why the difference? Global All-Cap can buy everything across the globe. All caps, all countries. International, exactly the same, with two exceptions, can't buy the biggest economy in the world, and, more importantly, can't initiate positions at below two billion dollars in market cap. That is about a third of what we have in Global. So, it makes sense that International will be higher. I know that's been frustrating for people. Finally, we're getting to where that's paying dividends. We are putting that to work at stocks that are trading at levels they haven't seen in many, many years. So, the bad news is cash has no real yield; a little bit now, and loses value all the time. The good news is that it provides optionality. It allows you to buy stocks after they fall. And that's why, it's nice to have a balance that's built up as a residual to the process.

Mary Bracy: We have, as usual, several questions on mining, so we'll start with gold miners. A question from Seth Deitchman, who asks: Will these gold miners need to sell their land in a difficult economic situation because they don't have cash flow or earnings? So, talking about the junior miners.

Alissa Corcoran: Well, some of them. Well, actually the ones that are not producing, the risk is more that they will dilute their equity, not sell their land. So, in effect, they are selling the land, but as a shareholder you get less of it. Some of the producers, though, have gotten in trouble. I mean you've recently seen IAMGOLD, as they're ramping up some of their development projects, they have capex (capital expenditures) overruns which happens in mining more often than we would like. But it's a real challenge for many mining companies. And as a result, they've had to sell some of their other assets what they call non-core.

Some of the companies that would like that are not producing that would like to produce, they also have these non-core assets that they think will help them, and they are on the table as an option to sell in the future. But hopefully, the answer is hopefully, No. But with time, and as bear markets are prolonged, you might see some dilution.

Dave Iben: It is an interesting topic. We have lots of conversations with these companies. They, running a company, want to show the world what they can do. And to build a mine, costs money, which means you must sell stock or sell minerals through selling a stream or sell a property, as your question suggests. We tell them the best thing they can possibly do is do nothing. People don't want to hear that. None of us wants somebody coming to us and saying stop working. But we believe they have great optionality. And anytime they sell properties in any form, equity, streams or straight outsell, they are diluting shareholders. So, we spend lots and lots of time trying to





tell them not to do that. Save your money. Don't spend it. Don't do anything that would require you to sell properties. If, after we've talked and talked and talked, they sell anyhow, we disapprove, but we buy at the distressed prices, and so that's the silver lining.

Mary Bracy: Along those same lines, we have several questions asking for our take on the Turquoise Hill-Rio Tinto deal. Several questions about that.

Alissa Corcoran: Yeah, it's unfortunate. It seems that a lot of investor class just out in in favor of the deal. We believe that Rio is basically stealing the property from Turquoise shareholders. Now, Turquoise Hill does have some debt to repay, and there, if Rio doesn't take them over, they're going to have to reprofile that debt and fund some of that shortfall with equity.

We think, even with all of those challenges, the price that Rio is paying is way too low. So that's our opinion of the deal.

Dave Iben: Yeah, we're not happy about it. Two silver linings. One, while we don't approve of this, thank God, they didn't try to squeeze people out a couple of years ago when the stock was 80% lower, so that we're pleased with. Also, if there is good news about all these other mining stocks getting clobbered. If in fact we're forced to sell this at too low a price, we maybe can reinvest into others at even better prices. So we think we might even be able to enhance the optionality of the portfolio. But we still do not approve of the deal.

Mary Bracy: That segways very well into our next question, which is from John Seitzer. He says you are bumping up against your industry 25% cap, so you can't really add to gold miners. Is that correct? Would you go higher if you could? And as a whole, are gold miners more attractive than other commodity producers?

Dave Iben: Here I can start, and you [to Alissa] can go to that last part. The 25% rule is there to: one as human beings, people are wrong now and then. For us, we're early often, and so we've had this 25%, and I've mentioned in the past and I'll mention it again. In the four decades, the only times we've been to 25% was in 2002, when it went from 0% technology to 25%, when they were selling below cash. Two years ago, when we went from very little energy to 25%. And off and on with the miners. So, the fact that they tended to be there quite a bit suggests that of course we're finding massive value there. As to where we see the most value, I'll hand it off to Alissa.

Alissa Corcoran: Yeah, the 25% suggests that the precious metals is definitely the area we see most value. We still like the uranium mining companies; those have corrected quite significantly. But the uranium is actually one of the - it's a great example of how these long-lived assets that we're talking about, these companies with latent value, they have huge optionality to a rising [price] in uranium's case [the] uranium [price], but a huge optionality to the gold price. So, with uranium, we held companies like Fission and NexGen and Denison, where the companies were sitting on uranium deposits. And they went up, some of them went up 10x when the uranium price rose. So, we expect the same in some of these gold junior mining companies.

Now to the earlier question about will they dilute us to oblivion? Will they have to sell off their properties? That is, there's a lot of risk in mining companies, which is why you want to own a diversified portfolio. So, we have more than 20 mining companies in the portfolio so we're diversifying across geographies and balance sheets and management teams and assets.

And we also heavily risk adjust these companies. Many of the junior mining companies, some of them we're hair-cutting them 80%. And there's still a lot of upside. So precious metals, we still like natural gas, uranium, agriculture.







Dave Iben: And I think it's important to remind everybody again to look below the surface too. Because two and a half years ago, we were 25% mining, but people were so bearish on the economy, that we were buying TRQ [Turquoise Hill] then, we were buying Ivanhoe, and we were buying the ones that were more copper because people hated copper. And so, we were finding lots of value and in copper and other things.

Whereas, six months ago people loved copper. All you could hear about is how we were ever going to get enough copper to drive and to build these electronic vehicles. And so, we were trimming a lot of the high copper ones. And now, we're clearly finding more value in the pure gold companies. Although copper is getting cheaper by the day too, so a lot of value in mining.

Mary Bracy: And does that extend to royalty companies as well? That's another question we have.

Dave Iben: When it comes to mining, the little guys that we like are the most risky. And then the big ones are a bit less risky. And then there's the royalty companies that are much less risk. And because they're much less risk, they trade at premiums.

The risk is less for those of you who don't know, because the bulls are right about the fundamentals for commodities. But the bears are right that stuff happens. Management does stupid things. Governments get greedy. The chemistry becomes problematic. Geology becomes problematic. Inflation migrates through the system and cause costs overruns. All these things are bad for miners. They are not bad for royalty companies. They just get the revenues. And so, because of that we can't; we didn't used to be able to afford the royalty companies, but every now and then, they become quite affordable. Now is one of those times. They're quite affordable. They're still nowhere near the bargain of the long life, smaller ones that we've talked about.

Mary Bracy: Okay, moving on. I believe, that's the majority of our questions on mining. So, some geopolitical questions. If you could please provide a brief comment about Russia and the Russia-Ukraine situation and our Russian holdings, as well as a question about our perspective on China.

Dave Iben: When it comes to Brazil, Russia, India, China (the BRICs), they were so loved 13/14 years ago that as bottom-up investors, we would look for good companies, we would find them, we would value them, we would like them, and we'd find the market liked them a whole lot more, and we didn't get to afford them. Because we were putting big discounts on them, saying, along with the wonderful growth and the hard-working people, and the savings and the resources and the great businesses, and the wonderful things about emerging markets; they have corruption and debt and dollar-pay debt and geopolitical skirmishes, and a whole lot of stuff to worry about.

So, when the market is not worried about those things, we can't afford them. When the market starts to become overly worried about those things and forget about the growth and the resources and the wonderful things, we can buy them. Because of our requiring the discounts, we've not owned much India. We like it, and everybody else loves it. And we've been able to buy Brazil, Russia, China, because we're wary of them and the market now and then just downright hates them. And so, we can afford some really good companies there. And there's been several opportunities in Brazil. Russia, of course there was the opportunity in 2015, when it became probably the cheapest stock market I've seen in my four decades. Unbelievably cheap, unbelievably hated. We took it to 19% of the portfolio.

Fortunately, the next five years, Russia was the best performing market in the world outside the Nasdaq. But a lot better than the S&P [500]. We trimmed a lot of it. Over the past year, they started becoming cheaper again. And we started to add back to the world's best gas company and one of the world's best bank, and some of the world's best carbon-free electricity generations, and whatnot.





Thank God we had insisted upon 50%+ discounts, because the portfolio got to about 14% no more without those discounts. It would have been compelling to own a lot of it. Once again, there's geopolitical skirmishes. This time the markets have shut down on what is termed "unfriendly countries". We will see what happens.

Some people have marked their Russian securities at zero. We've marked them to thirty cents on the dollar. We're still hopeful that ultimately, they'll be worth a lot more. People coming into the fund are getting 70% off from where they are trading in Moscow. People selling are losing it at that. We'll see what happens.

Meanwhile, every single day we wait companies like Gazprom are getting richer. Maybe the banks are getting poorer, we don't know. But in general, we're happy that we own big, strong, world, renowned companies that can ride it out. And it's up to the politicians of the world, if and when we get our money out.

China now, people are afraid that the same thing is going to happen. That the U.S. has effectively been at war with Russia for a lot of years, and now we're effectively at war with China. We don't dispute that. Therefore, we wouldn't touch anything in China unless it was at a pretty strong discount. So generally, we're using half off or more for most of those, and we're saying, can we get really strong drug distribution companies and train company or railroads and once again cheap clean carbon-free electricity and those sort of things. And we are buying at tremendous discounts. Maybe the politicians will cause a problem for us. Maybe they won't. If they don't, we think we make a lot of money. If they do, then it's locked up.

We also will point out the people that we've said this stuff is not fun and causes heart burn, but it creates opportunities. When Russia shut down, we made a lot of money in our gas companies in Canada and the U.S. And when Kazakhstan had some problems, we made a lot of money in our Canadian companies. And when there's problems in Ukraine, we've made a lot of money in agriculture companies in Asia. And so, we will continue to focus on companies that are worth owning at prices that are ridiculously low, diversifying across the board.

And so far, things have turned out worse than we would have hoped in Russia, and probably Ukraine. But way better than we hoped several times in Brazil, people didn't like the politics. Way better than we would have hoped when people were afraid that Obama was going to shut down the entire drug industry, and we were able to buy good bargains there. When they don't like [South] Korea, we get to make a lot of money in Korea.

We found that diversification and price matter. We make money a lot more often than we lose money. But sometimes things happen.

Mary Bracy: We have a couple more just brief geopolitical regions. Everyone wants to know your thoughts on Latin America and on India. Are we finding opportunities there?

Alissa Corcoran: Well, India, I think if you saw the slides, there were two countries [U.S. and India] that had overvalued markets and overvalued currencies, according to GMO. And so, India, we aren't finding very many opportunities there yet. There are some very good companies, you know. One day!

Latin America – there are some opportunities, but Asia is where we're finding more opportunities at this point.

Mary Bracy: Okay. So, we have several questions, still. A few company-specific questions. One with a company that we have held for many years, Northern Dynasty, having difficult issues with the EPA (Environmental Protection Agency) seeming to be irrationally hostile to their efforts. So curious if we have any additional or updated thoughts on that.





Dave Iben:

I can start. We think that back to the quote [from Ben Graham] of you know the weighing machine in long term and the voting machine in the short term. From Brazil earlier, we owned hydroelectric dams that were going to be worth 10x what they were selling at. But the politics was very, very hostile. In that particular time, we thought we'd have to wait 10 years, but after six months the stock went up 7x that. That worked out pretty well.

And Russia thus far, it's not working out as well. You have arguably the biggest and best undeveloped resource of copper and of gold in the world, and definitely the United States. So, people for the longest time have been saying that mines pollute. The mining industry has a long history of causing pollution; these people want to go up and build a big mine, and they want to do it in a state that has a big fishing industry, and let's stop it. All right, fine. What has happened since then? What's happened since then is that the company, not because they're good guys, because they had to, revised the mine plan. Made it a lot smaller, made it like everybody has to do over-the-top safe. They don't want to hurt the environment. The Army Corps of Engineers came in and did a two-year study and said the fish are long, long, way away, and the water table goes the other way. And this is the sound modern plan, so we approve it.

Politicians got in there and made them reverse themselves a month later. But that's, is what it is. Also, what's happened in recent years is people have gone from thinking that mining copper is a horrible thing to do to the thinking that having a sustainable supply of copper, so that we can build windmills and electric cars is something that's very important to the United States. And ultimately is, we're learning the last few years, dealing with resources and energy is not something people want to do.

And so, we believe that sooner or later (we wish we knew whether it was sooner or later) but the economics wins out. This copper is needed. Likely the gold will be nice to have also, and it will be built with a modern scaled down plan that should meet everybody's needs. So, we believe that the politicians, one by one, as we started to see (we've seen in recent years) they changed their mind. They realized that uranium has actually got a lot of attributes, and natural gas is better than coal, and maybe copper is better than coal also. And so, the politics is problematic, has been. We think it's getting a little better, and we think long term has to get better. But these things take a long, long time. I've always talked about patience. This is going to require a lot of patience. Should be worth a 100x what it's selling at, in our opinion, if things go right.

Mary Bracy:

Alright, we are running very short on time. So, I'm going to do one more question. If your question did not get answered, please reach out to a member of our investor relations team, and we will be happy to answer that for you. So, our last question is from Dan Gallagher, who wants to know why Newcrest is so special?

Alissa Corcoran:

Well, I can start, and Dave can add anything. When we are risk adjusting our mining companies, we're looking at their management, their balance sheet. We're looking at their assets. We're looking at their geopolitical risk. Newcrest has phenomenal assets. They have (maybe it's the largest I'm not exactly sure, but up there in terms of the) largest amount of reserves and resources in the world of the major mining companies. Their costs are low. And so, they are a company that will be mining gold for many, many decades.

Where those assets are? One of their biggest mines is in Australia – lower geopolitical risk. They also have some exposure to Papua New Guinea, which increases that risk. But they do have a diversified portfolio of assets. Their balance sheet is very strong. And their management, importantly, has been buying assets when others have been selling during the bear market of the gold mining companies. So, they've increased their value to shareholders. Making acquisitions during the downtimes, which has created a lot of value. So, for those reasons, we risk adjust them less harshly than other mining companies. And they have some significant upside to these current values.

Would you add anything to that, Dave?





- Dave Iben: I think in the land of the bling the one-eyed man is king. Frustrating business, these guys are pretty well managed. That's important.
- Mary Bracy: All right. We are going to keep going to get through the rest of these questions.
- So the next question is, What are your thoughts on Cameco's pending purchase of Westinghouse [Electric Company]? Is that a positive or negative for the Cameco stock?
- Dave Iben: We've spent a lot of time on it. At this point, we think it's a slight negative. We believe it's probably a good business. And the world is heading back to that. So, we think it's not a bad business. So, all in all – fine. We do believe that they paid a lot more for it than they could've bought it for two years ago. And we do believe that uranium itself is worth more than uranium-related businesses. So, we view this as dilutive. So, we're not big fans of it. But it's not horrible like some acquisitions.
- Mary Bracy: Another company-specific question about Kepco (Korean Electric Power Company) seems to have come off. So why hasn't Kopernik been adding to this one like you happen with other positions.
- Dave Iben: Yeah, fair enough. We were just touting [South] Korea, because we like Korea. In terms of how Korea treats their electricity company, they're one of the worst. Having them build nuclear reactors and then making them shut it down and buy coal from the outside markets and buy from their competitors, and then turn around and sell it at a loss. So is just so darn cheap that we have to own it at these prices. And we do nibble from time to time. So maybe you'll see us by more. Keep in mind, though, everything's gotten cheaper out there, so it's competing with some other bargains out there. So, we heavily discount this, margin of safety heavily. But it's still a bargain, so we like it with some fear.
- Mary Bracy: Our next question is about agriculture. And a question about a looming food crisis that we have heard about and hear about on the news. It says, what is your view on the looming food crisis that we've heard about who are the best beneficiaries aside from farmland owners?
- Alissa Corcoran: Well, some of the agriculture companies that we really like are our palm oil companies, which are trading at significant discounts to what we think they're worth. We value these companies on their acres of land. And palm oil in particular, I mean, outside of the food crisis, the supply has not grown in a decade. Many, many companies were guilty of deforesting and pushing communities off their lands. And so, they had some growth potential in Africa. But that is basically gone away.
- So, the agriculture for palm land has been static. Meanwhile, the demand is growing. And it's an extremely efficient use of land it's multiples higher; the yields per acre is multiples higher of soy bean and other plant oil. So, we so we like palm oil.
- Natural gas is rising, which increases the price of fertilizer, which makes it more difficult for farmers to grow food. So that's contributing to this the food crisis globally. Not to mention, everything that is going on with Russia and Ukraine. So, the beneficiaries are obviously the people that are farming this. And so Ukrainian agriculture companies that we own should benefit over the long run too.
- Dave Iben: To add to your question. 15 and 20 years ago, we owned tractors and irrigation and fertilizer, and you name it. Specific to your question, the fundamentals are good for all of those, and we like all of those. We don't know that the market disagrees with that view. So, we're not getting in the same bargains on that as we do on farmland







in Brazil or Indonesia, and of course, Ukraine. So that's where we are. We're in Brazil, Indonesia, and Ukraine farmland. For materials and fertilizer we like: we like uranium and gold better.

Mary Bracy: All right. One final question, and it's kind of a big picture question. This is from Haris Saeed, who says: The valuations in the U.S. seem to be overpriced by 30x-50x in some of the examples that you mentioned. You expect this bubble to burst, wiping out hundreds of billions of dollars? Or is the new norm to treat some companies with higher multiples and accept their higher valuation?

Dave Iben: Say that again?

Mary Bracy: Basically, is this just the new status quo?

Dave Iben: Higher valuations?

Mary Bracy: Yeah.

Dave Iben: 40 years of interest rates dropping is arguably an underpinning for higher valuations. Sure, the Fed will reverse the course someday. But hopefully, negative interest rates which would have been unimaginable for all the history of mankind (unimaginable until last decade), let's assume that's the thing of the past. Let's assume that rates probably go higher, not lower, because they're still way below the rate of inflation, and everything that almost every government in the world is doing right now is inflationary.

And so higher evaluations forever? Who was it, was it Irving Fisher that said that 1929. If that's the case, we'll just happily miss out on it. Any the way, we prefer owning lower valuations to higher valuations. And we're getting those lower valuations on some really good companies.

Mary Bracy: All right. That was a tough question. So, thank you, Dave.

All right. That does it for today. Do you either of you have any closing thoughts?

Dave Iben: We appreciate everybody dialing in, and we're thankful for your support. And hopefully, the market brings some good things.

Mary Bracy: Thank you so much everyone for joining us. Again, if you have any further questions, please feel free to reach out to a member of our investor relations team. Thank you so much. Bye bye.





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