



KOPERNIK GLOBAL INVESTORS, LLC

Edited Transcript

Investment Implications - Russia/Ukraine Conflict

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Alissa Corcoran: Good morning, everyone and good afternoon to our European clients. I am Alissa Corcoran, thank you for joining us on such short notice.

Given the recent events, we wanted to give you this time to ask questions to hear our perspective to learn about the companies that we own. So throughout this presentation, you can type your questions into the chat box and we'll be sure to get to your questions.

This is an investment call, we do want to preface it by saying that Russia's actions yesterday we do not approve of. It's very unfortunate and sad and our hearts are with the Ukrainian people. The focus of this call, though, is through the lens of an investor. And how should investors respond and in times like these, and Dave has such a vast knowledge base and such experience and so without further ado, I will pass it over to Dave.

Dave Iben: Alright, thanks Alissa, thanks to everybody, as she just mentioned, for people they're wanting macro overview, or what may or may not happen from here, there's a lot of lot of people offering webinars and conferences, we suggest you go to them. Our forte we believe is in appraising businesses, analyzing businesses, having a good idea that there we're adjusting them for risks like these. And then being ready to take advantage of opportunities when they come, so when the opportunities tend to come there is no panic. You know I think most of us know Warren Buffett's thing of being fearful when others are greedy, but greedy when others are are fearful (page 4). 40 years doing this, you don't often see a panic like we saw yesterday with stocks falling 75% in a few minutes time. So you know John Templeton and we've always been big fans of his, he's got his quote saying, these are the opportunities, you buy a good companies during tough times. So what we do is we look for good companies and we'll spend a lot of this time on why we think these are good companies and even on risk adjusted basis, they are very, very attractive, but, before going into the individual things, maybe a few comments on risk/reward.

Risk, of course, is a subject that means different things to different people. We've always liked, Howard Mark's idea that what's risk to one person, and not risk to another, presents opportunities. So at last, like many value oriented investors, we believe that risk is the prospect of permanent loss of capital, a lot of people in the business view risk as temporary loss of capital, in other words volatility. If we can buy things that are trading at a quarter of what they're worth and likely to go up four times, we can handle the fact that it might be volatile on the way up. And actually being able to buy things that are half of what they cost yesterday is an opportunity to make money as opposed to the opposite.

We believe that you know buying good companies that are low price, the low price helps get rid of risk, also diversifying across names, so we do not put all our eggs in one basket. So if risk is paying a high price, maybe people should be a little worried about the U.S., now we love the U.S. but we've always thought that buying US stocks in 1929 or 1972 or 1999 or 2007 weren't the best use of capital. That we think is something people should pay attention to. Emerging markets, though, as a PE (price-to-earnings) of 13 doesn't seem so risky. They look decent on price-to-cash flow and dividends so emerging markets even without the growth



opportunities they have, possibly present less risk (page 5). Now, Howard Marks points out that if you can buy a portfolio of bonds every single one of which is already in default, but you buy it at a cheap enough price, that's not risky because the workouts are likely to be higher than you're paying for it. So, if risk is about price, Russia from at least that one standpoint, is maybe the least risky place on earth. There are risks and we'll certainly talk about that, but less than five times earnings for companies that are high quality and generally producing great cash flow - that's something that's interesting to us. Dividend yields of eight and a half percent, that's pretty interesting to us. So, if one cares about price, and few people do anymore, but we suggest they will sometime again in the future. Yeah, price matters. Russia's pretty interesting (from a valuation standpoint), but also putting all ones eggs in one basket, you know people talk to us and say, is putting a 10%, 15%, 20% of one's assets in an emerging market country risky? Well, if the price is cheap, maybe not, but also you know 10%, 15%, 20% of the U.S. now is 60% of the All Country World Index (page 6). We love the U.S., but if it's a fifth of the world's economy, but three/fifths of the market cap, that doesn't suggest adequate diversification, that's putting most of one's eggs in one basket. So from over the last 10 years, it's gone from 45%, which in itself seems pretty fully valued, to 60%. A 15 percentage point increase. China, despite all that right rapid growth is gone just a 1.5% increase in terms of their share of the index. And Russia is 0.3% of All Country World Index, for the biggest country in terms of land, in terms of resources, in terms of a lot of things, so you know, the market is not putting any of its eggs in that basket.

Having a percentage of our portfolio in it, we felt comfortable with. We of course do not have 60% of the portfolio in one country, granted over 25% of it is in Canada now. But in Russia during the panic of the Crimea crises, not being a player of markets, but a buyer of good companies, we were happy to buy very, very good companies that happened to be in Russia at distressed prices (page 7). It became almost 20% of the portfolio. Over the next five years, the Russian market was one of the best performing markets in the world and even did way better than the S&P 500, sounds incredible, but it was. During that time we trimmed and trimmed and trimmed and our portfolio weightings almost fell in half as we took advantage of the market going from really hating Russia to where things like Sberbank were on everybody's must hold list of EM (emerging markets) holdings. Just like we saw back with that crisis, we do not approve of this crisis, but we do approve of buying some of the best companies in the world at what they do at really, really distressed prices. We think Warren Buffett and John Templeton are right. You know, we may not approve of what's going on in an imperfect world, but buying good companies in the teeth of panic works for us.

And the idea that we're not buying Russia, we were buying good companies, Alissa will go through just to remind people what it is that we are owners of.

Alissa Corcoran: So as Dave and I've talked about in many of the quarterly calls, we are finding value in in two distinct areas. And the commodities area is one with all the latent value names getting free optionality. The other bucket that we are finding value is in high quality franchises in emerging markets, and Russia is the perfect example of this, so i'm not going to go through every name, but I will highlight some of the names that have larger positions in our portfolio (page 8).

Gazprom is the largest. It is on a franchise perspective, a 10. I mean it is the perfect gas company if you look at it from the perspective of we're buying four decades worth of gas, this is low cost gas, it has pipelines that can transport this gas to Europe and other places. The company has grown book value for the last 20 years, even with Russia skimming off profit. So, from the quality business standpoint it's a 10. However, it is in Russia, and so, if you are going to compare it to Exxon, and you could buy a great gas company for \$25 a barrel. With Gazprom, we get to buy this high quality franchise for \$1 (a barrel). So this is the type of discount that we're seeing in Russia. And so we don't value gas companies on earnings, but you can see



here that Gazprom is trading at three times earnings and less than book value with a high dividend yield, so this is one example of a company that we have been buying more of lately.

Polyus is another large holding; it's one of the best gold mining companies in the world, it has the best assets, it has a high grade, low cost mines that have already been built, so your geological risk is reduced, your CAPEX risk is reduced. These mines are minting money today; at current gold prices they have a 50% profit margin. So these are very low cost, they have a strong balance sheet, management is doing the right things. But again, we're in Russia, and so we require that huge discount because of times like yesterday. Things happen, and so we want to be prepared and risk-adjust before they happen so that we do not panic, because from our standpoint, a panic sell would be the worst outcome.

Sberbank. We don't just own resources in Russia. Sberbank has dominant deposits. There are 145 million people that live in Russia; Sberbank has 100 million of those that use Sberbank, so they have very low cost of capital, they dominate the loan markets, they haven't needed bailouts, they're very well capitalized and very well managed. And they're in a growing economy and an economy that is under banked which is far and few in many countries. So today, we're buying this for below book value, a 9% dividend yield, these are these are yields that you don't see in developed markets.

Moving on to utilities, RusHydro. When you are designing your perfect utility, you want something that is low cost and clean. With RusHydro, you're getting that. You're getting one of the largest in Russia, one of the largest utilities in the world. Hydropower is trading at well below book value, well well below the replacement cost.

With all of these companies, you have the Russia risk – there is corruption, there are sanctions that will cause an indirect impact on all of these businesses. But again, these risk/rewards that we're seeing today, we're buyers of these companies.

Outside of Russia, there's also companies that are being impacted from yesterday's events. Kazatomprom is the world's largest uranium producer, and even when uranium was much lower, this company was making money. Like Polyus, it has huge reserves, they're low cost, it's a well managed company, a good balance sheet. Again it's a risky jurisdiction where we have a huge margin of safety before we buy any of these companies.

On the Ukrainian side (page 9), we own a company called Astarta, which is in agriculture. It's one of the top five agricultural companies in Ukraine. They have 25% of the market share of Ukraine sugar. And to give you a perspective of how much cheaper this company is compared to the U.S., in the U.S. you could buy high quality Iowa farm land for close to \$14,000 an acre; in Ukraine, we can buy this for \$15. That means that the U.S. is 923x more expensive than Ukraine. Now you have to give a discount for the fact that the Ukrainian ag is not as productive, still very good, but not as productive as Iowa, but still that disconnect is still too large, from our standpoint. So those are some of the disconnects that we're seeing, these are some of the values we're seeing, we see at these prices low risk. The largest risk we see if the U.S. Government forces us to sell at fire sale prices, but we can get more into that and start addressing some of your questions so, I'll turn it over to Dave to finish up before we jump into questions.

Dave Iben:

Yeah, thank you. We've had a couple of questions on gold and copper and commodities and maybe Alissa can answer those and while she's doing that, let me just summarize. You know, as you heard, our goal is to appraise companies. Buy those things cheap, volatility is our friend. We don't like conflicts, but you know we will notice that, when there was conflict in the U.S., a year and a half ago and cities on fire, the markets



went up. But when there was a couple of days of protests in Kazakhstan, we were able to buy the world's best uranium company at a fire sale price, that's one thing. Diversification also worked because while that was happening, uranium prices went up and we were able to trim Canadian uranium producers at a high price by buying the Kazakhstan at lower prices. Since then, the Kazakhstan went back up in prices since all recent events. We like the ability to do that.

When Gazprom was dropping yesterday, some of the U.S. and Canadian oil prices went up and we were able to take advantage of prices going up in one area while dropping in another area. If we could get rid of conflict, we would, but since it does happen, we've pointed out that when the U.S., you know ramp things up in Vietnam, that was not a time to sell the U.S., that was the time to buy the U.S. stock markets, they did well in the 60s. And after the Gulf War, time to buy the U.S. markets, after the Iraq war, time to buy the U.S. markets, after the Crimea crisis time to buy all markets, especially the Russian market. And so, yeah like I say if we can get rid of all these problems, we'd do it. We can't. We will just want to stay diversified and to take advantage in this volatility, as people's questions show, have affected the price of gold, was up 80 and then dropped a 100 from there, how's that for volatility? And so copper has been in a different world than it was a year and a half ago which presented opportunities then, and in different ones now. So Alissa, could you talk a little bit about what we're doing there?

Alissa Corcoran: *Yes okay, so the we have a lot of questions coming in, and thank you so much for submitting your questions. One of the questions is, how does currency play into your valuation? If the ruble crashes further, cheap stocks become maybe not cheap, how do we, how do we consider currency, Dave?*

Dave Iben: Yeah, currency is something we've spent hours on, days on. You know the old cliché and it's more than a cliché, it's not a stock market, it's a market of stock. We look at what businesses are we buying. If we own a company that has gold reserves or uranium reserves or oil reserves, the market continues to price these in dollars, and so we don't worry so much about the currencies. If the currency drops, we're still getting dollars. Yeah, the way it probably works out in general is, the company selling has revenues in dollars and costs in a falling currency, their margins go up, which makes their stock go up by as much as the currency went down. And no risk to us. If it's international, it's hard to appraise the risk, but it's pretty diversified, we don't worry a lot about that. If it is an exporter with a lag, they usually are able to benefit to some extent. For companies that are importers or solid domestic, currency drops our risk. Some people say well why don't you just diversify, you know just hedge out that risk. With bonds, you can hedge out that risk, but stocks are not a promise of cash in the future, so how do you hedge something in the future that you don't know. You know, could be that the price goes up with the currency or it goes down with the currency or they can pass it through or they can't pass it through or there's a recession and the cash flows don't even come. Or if the stock goes nowhere and the currency goes up, in which case you would have hated shorting that currency, so you cannot hedge currencies, there we just ask for bigger and bigger discounts.

So, that's how we do it, we look for bigger discounts where currencies are a threat to us and don't need as big a discount for currencies that are not a threat.

Alissa Corcoran: *Okay, thank you and so when we are holding these companies, buying these companies, how do we think about the fact that many of these are partially owned by the Russian Government? Are the valuations low enough to offset the risk when controlled or partially controlled by a totalitarian government?*

Dave Iben: Like many of the things that we do, rather than have a strong opinion of our own, we wait for the market to have opinions that are extreme. It's interesting to go back and read research from 2007, 2008, 2009 or encourage you to go do it. People were saying you absolutely want to own the state-owned companies, that



they have a huge competitive advantage over their competitors, which is absolutely true, so people were paying big premiums for banks in China and then Russia and paying premiums for Gazprom. If you go back and look at research from four or five years ago, it's more you should never own a company that's government-owned, because you became a pawn of the government. And they might put the needs of politicians, ahead of the needs of their shareholders, which is also absolutely true. And so, we usually like these companies being monopolies or oligopolies and having a competitive advantage on cost of funding and competitive advantages of access to new projects and that sort of thing. And we don't like the fact that the money might not get 100% to us, it might get to the needs of politician. We absolutely want a discount for government-owned, but when people don't even want to touch government-owned, we're willing to say there are some advantages, if we want a bit of a discount, we're getting a lot of a discount then that's an important thing.

It's also important to rather than just have, you know, put a box, and this is where things must fit, if you look at different countries, the politicians are really harsh on some countries and less harsh in others. It seems like the you know banks in China or Turkey are under more pressure to make loans that might help the economy, then we've seen from banks in Russia and therefore we're more likely to own a bank in Russia than in China. Not that it won't work out fine in China, but we look at a lot of these different things.

Alissa Corcoran: *On the same idea of government. One question is rhetorical question is how much would we how much is the number one oil and gas company in North Korea worth, how do we think about buying companies in these tough regimes.*

Dave Iben: Amongst the almost 80 countries I've been to, North Korea is actually one of them. Was fascinating. But you know, to us, there is a price for everything. So we won't say no to anything but we never have had money in North Korea. And don't intend to, but that doesn't mean we wouldn't under the right circumstances, but Alissa talked about our certainty of value and the margins of safety we want, and we have, in certain cases, required a 90% margin of safety. Having big margin of safety, if you have an 80% margin of safety. That means, if things turn out you're buying things at 20 cents on the dollar, they turn out you make five times your money. Which if you have five companies and one of them works out that's worked out well for you so, we're happy to venture into things with good companies at great prices. And if I look back in recent history and longer history you know, we got burned in Venezuela, even though we were looking for a 90% discount. And every now and then you get these hiccups in South Korea with their electric company or in France again lately and those sort of things. But we made one time 10 times our money in Papa New Guinea and four times in the Congo and again now with Ivanhoe. We've done quite well in Mongolia over time.

So we think that people are not well served to be binary in their approach and say this country is good and this country is uninvestable. It's all a matter of adjusting for risk, getting overpaid for risk, and diversifying risk. And so, very unlikely that we invest in North Korea, but as the world changes and a good company's for sale at point five times earnings or something, you put 50 basis points in that.

Alissa Corcoran: *How do you view it, are you, by buying a company in North Korea or Russia, are we enabling their government? Doing things that we don't approve of.*

Dave Iben: Yeah you know, we last year did a ESG (Environmental, Social, Governance) webinar that people might have seen, it's an interesting subject. We all want the world to be a better place and we've talked about how we've, I personally was influenced by going to Warren Buffett's annual thing back in '07 I think it was where he actually allowed people to come up and talk about why he should be forced to sell a oil company in Africa.



He let them spend plenty of time. He came on and said, he agrees with everything that was said, but he did not agree with the idea that selling his stock to somebody else would fix the problem.

And maybe it's better to engage and we've embraced that with ESG and I guess this does in many ways fit into the governance part of ESG. We want to discourage wars and we want to discourage fraud, we don't want to get into the business of deciding the different things going around the world, whose political actions are worse than somebody else's political actions and which countries deserves to be invaded and which ones don't or anywhere. We have no interest in getting involved in that, and if we disapprove of things we're happy to be vocal with managements and anybody else saying what we do believe in and we do believe in good governance. Dylan Grice has done some good work on that and you can look at. When you buy a stock or bond on the secondary market you're not funding the company.

If the company raises capital and you give it to them, then you're funding the company, and you know people can have a debate on both sides on whether it's good or bad to fund companies you don't fully approve of, or countries, but when you're buying on the secondary market, one person sells to another person, there's no change in shares, no change in the amount of money the government has and if somebody wants to buy a company at ten bucks and sell it to us tomorrow at five bucks, that has no impact on the governments or the companies or the world, just on their investors versus our investors.

Alissa Corcoran: *Thank you, that was a common question that we've received. Another common question is how much did we buy yesterday and are we buying now? What percentage of our portfolio is in Russia and Ukraine.*

Dave Iben: We're I believe 2% Ukraine and about 15% in Russia, and that is the result both of buying yesterday and the 25% bounce today last I looked. That's sort of in the middle of the range. We got as high as 20% in the height of the Crimea crisis and low of 10% within the last year or so. Were we buying yesterday? Yes, we were buying. Mostly early on, for two reasons, the market was really getting hit early on, but then, as it was bouncing back, a lot of people weren't trading Russia at the end of yesterday. They're back to trading it today, it looks like. But that's our style. We don't view it as buying Russia, we view it as buying gas companies and electricity companies at half of what it would cost us the day before and hopefully trimming it back again in the near future.

Alissa Corcoran: *How do you think about sanctions, Dave, both the direct and indirect impacts of a financial sanctions and what is the risk to us as as foreign investors?*

Dave Iben: As to what sanctions should happen and did happen and might happen, we're not going there. But when we do appraise the risks, there are the risks that other people worry about; they're legitimate and we think we have those factored in. The biggest risk we believe is the risks that we get forced to sell these companies and I think the market was relieved and so are we, when yesterday's speech made it look like those things aren't going to happen. But that did happen to us a few years ago when some of the U.S. accounts were forced to sell China Telecom and China Mobile. This is sort of like the previous question on funding. If a company needs funding and you can hit their stock price, you are hurting that company, and so we can understand the value of that. But companies like China Telecom and China Mobile, that are cash flow machines, they don't need funding, And so, if you make a U.S. investor sell something that's yielding 6% and has a 10% earnings yield, you are not hurting China Telecom, you are not hurting China Mobile, you are not hurting the Chinese military you are not hurting Chinese Government. You are hurting the U.S. pension plans or endowment plans or individual people who, in a world starved for yields, you are forcing them to sell way under valued stocks and force them to sell it at a price that's depressed from the already



depressed prices. Everybody stampedes to the door but no bids and so it's unfortunate for people to have to sell China Telecom; it's up nicely since that time.

So, we believe that for the U.S. to have a policy that hurts U.S. pensioners, but doesn't hurt China doesn't make sense, and we hope that the U.S. can see that having us sell the Russian utility companies and gas companies at 14% dividend yields will not hurt Russia. They don't need capital. It would hurt U.S. pensioners and savers and so we're relieved that they didn't do that. Could they do that? Yes, maybe they will we believe that from current prices if they force us to sell, we will lose some money. But from here, maybe not even that much. But, two things are important: it's probably unlikely that they force the sale and two, we might lose 15% or might make 500%, we like the math. So we have, as Alissa mentioned, put in a large margin of safety on all these things. We are going to hope that within the governments cooler heads prevail and either way the upside/downside is absolutely compelling.

Alissa Corcoran: *A lot of questions about SWIFT: if Russia is cut off from SWIFT, what are the potential impacts to the holdings in Russia?*

Dave Iben: Here you know we're sort of out of our league, I think you can talk to a lot of people and get opinions from no big deal to the other extreme it's not just going to bring down Russia it's going to bring the entire worldwide banking system down. We've professed not to know. We will say that if that were to happen, and once again, it looks unlikely to happen; it looks like much of Europe was not in support of that and maybe many bankers are not in support of that. If it happened, would not be pleasant for Sberbank. Would be a negative, probably, for Gazprom, because I think a lot of their gas sales to Europe get funded through SWIFT is my understanding, but Europe needs the gas I imagine they'll find a way to pay for it. And if they won't, China will. It's probably not that big a deal for most of the Russian companies but probably is for the Russian banks and quite likely is for the U.S. banks. Probably won't happen, but there again since nobody really knows the answer to that question, we just make sure we are only buying Russian companies and only buying banks at a big discounts.

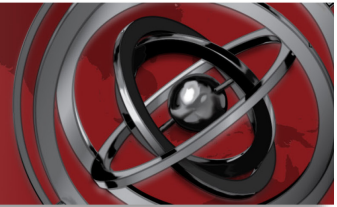
Alissa Corcoran: *One question is "speaking of the worst case scenarios are valuations attractive if the conflict spills into Europe?"*

Dave Iben: There again, not being an expert, we view the chances of that happening as very, very low. It was interesting, you know, we like to look at things like, how is the market reacting to such things and yesterday, the market says the prospect of unpleasant times means Russian stocks are worth half of what they were but NASDAQ had a 7% run during this from the bottom to the top. I don't know what it would mean if it spills into Europe, but I know it can't possibly be wonderful news for the U.S. and Europe, but bad news for Russia. It's bad for everybody.

So there again, not likely to happen, but if it happens I'd rather own companies at 5 times earnings than companies at 20 times earnings and I'd also like to be diversified. So we don't expect it to happen but we like our portfolio's position.

Alissa Corcoran: *Have we spoken to management in any of our Russian companies in the last few days, and if so, what have we learned?*

Dave Iben: We have not talked to them in the last couple days, and if we had probably wouldn't have learned anything anyhow, but we do talk to them over time. We talk on small little things like why don't you do reverse stock splits so that we don't have to buy a billion shares to get a position. Then we also talk to them a lot about



capital allocation and we are involved with other investors to try to bring better corporate governance there, and we've been involved with trying to get board members put on boards to bring better corporate governance. But as to what they would tell us, or what they could do to have any impact on current situation. No, I don't think so, even if we got them to pick up the telephone. We were very busy with other things and I'm sure they were too.

Alissa Corcoran: *A question we commonly got is "have we changed our risk adjustment or risk adjusted intrinsic value, based on what happened yesterday?"*

Dave Iben: While admitting that yesterday was worse than we thought probable, we did not change our risk adjustments. We think we can make good money being wrong a third of the time; we think blowing with the wind and getting whipsawed is bad for investors. And so we have been pretty harsh on our margins of safety for Russia and emerging markets in general, so that allowed us to not participate in the big run the BRICs had a dozen years ago but it allowed us to not during the Crimea crisis; it allowed us to buy more. We had conversations, six months ago, a lot of people telling us we've been too harsh on Russia; they have some of the best companies in the world and they're a cash flow machine and their government doesn't much debt and one of the few places with budget surpluses and trade surpluses and energy prices have come back a lot, maybe we should, you know, be less harsh but we didn't. We stayed harsh and now we are not pleased with yesterday's events, but the reason we are harsh is because we know that there's hundreds of years of constant political skirmishes in Russia. People invading them, them invading other people, conflicts with other governments, disagreements - so the fact unpleasanties happened in Russia, that was not a surprise. We're prepared to be wrong a third of time but we're not prepared to panic during bad times and and get confident during good times.

Alissa Corcoran: *Can you speak to the rule of law and and property rights from the perspective of an investor in Russia and equities, and what happens in your opinion, if Russia is creative and retaliates with financial sanctions of their own?*

Dave Iben: Well, I'll have to think about that second part, retaliate against whom and how and is it against the U.S. for good or bad, we don't really own U.S. companies now other than some natural resource companies. But, rule of law: what I've constantly said from 1982 and so, a few years back, was that Warren Buffett's moat concept with companies actually applied to countries, and the rule of law in the U.S. and Europe and other places, was very high and big moat around it, they were places that you wanted to do business and the emerging markets, it was lousy governance and lousy rule of law. So the moat around our countries were so much better, but that the emerging markets were getting better and better and better and, if you look at the 1980s, 1990s, 2000s, clearly the rule of law is improving it almost all emerging markets by a lot and that we viewed as a positive. It has been a positive and it's helped a lot of people make a lot of money in emerging markets over time.

Now I feel a little less bullish, I feel like instead of emerging markets' rule of law improving, I believe the rule of law in developed markets is heading in the wrong direction, so I think investing is getting tougher for a lot of reasons. I've been lucky 40 years of the wind at my back; now with excessive debt and people's changing ideas on the role of governments and rule of law, I suggest people focus on buying stocks that are really attractively valued, because rule of law is a concern everywhere. Russian rule of law leaves something to be desired. But importantly it's not half as bad as the market seems to think it is. People get the idea that every day, Putin gets up, has a bowl of cereal, and looks at the paper and says, which company am I going to steal today. Really that hasn't happened. There was Yukos, and when you get the facts on that there's more to the story. I personally lost money on that, but I understand what happened, and there was Rosneft,



when you get the facts on that too, that makes sense also. That's pretty much it in the last 10 years. It's not that they're out there just stealing stuff from people; they do have rule of law, we hope it improves, we hope it keeps getting better but it's when rule of law is half good as we want and the world thinks it's only 10% as good that's an opportunity.

Alissa Corcoran: *You touched on this a bit, but what about buying privately owned companies such as Lukoil versus owning these SOEs (state-owned-enterprises) such as Gazprom? So looking into the private companies.*

Dave Iben: We used to own Lukoil, and we do own Lenta, and we owned Yandex, and absolutely we like the privately owned companies. But as I suggested earlier, 14-15 years ago people absolutely preferred the government owned whereas 5 years ago it was so much the opposite that Sberbank was trading at a fifth of where it was a couple months ago. And Magnit, a privately owned company, a grocery store company was, I believe, the biggest component of the Russian index that's how much people loved privately owned companies. And so we had no interest whatsoever in owning Magnit at the prices of half a dozen years ago while we were very interested in owning Sberbank, Gazprom, and these sorts of things. Now the playing field is more level and we're finding a lot of value in the government-owned ones and we are now finding value in the privately owned grocery stores and homeowners and that sort of thing. So it's all a matter of looking at the advantages, looking at the disadvantages, risk-adjusting it, and buying them when they're obscenely priced—low low priced.

Alissa Corcoran: *Are these companies strong enough to weather the storm? Should there be some tough sanctions on these companies do you expect them to maintain their dividends?*

Dave Iben: If you look at the electric generation companies and the distribution companies and things they are in Russia and selling to Russians and not exposed and their dividend should be completely sound, and grocery stores that should be completely sound. Gazprom, unless the world could get China to stop taking gas and Russia, of course, use a lot of their own gas, yeah, I guess they could just have Europe say we're going to choose to freeze instead of using Russian gas. But even so, I believe, Gazprom would have no problem continuing to pay a big dividend. So, the only problem is the banks, and like I said, that could prove to be a worldwide problem. But companies, like all banks, that have a lot more debt that they have equity certainly can be impacted from sanctions and from hard times. So that would be the biggest worry and of course those were the stocks that were down 70% recently.

Alissa Corcoran: *Should Russia put in a puppet government in Ukraine, what rationale for Astarta—do you see that at risk of being nationalized versus staying private as something we can invest in?*

Dave Iben: There again, to presume that we have the answers is arrogant and foolish. To say that Ukraine has gone over lots of changes in government over the last 40 years. You know, we're [part of] the Soviet Union and then they're not then they had pro-Western governance and then pro-Soviet or pro-Russian and then pro-Western and back and forth, and everybody's kept their hands off of them. Could that change – yes. Not likely, but since it is a possibility, paying full price for these things would be foolish. But if Astarta is trading at 1% of what it would be selling at if it was based in Iowa, we think we're well compensated for that possibility. Now another thing to point out, I talked about with uranium when there was possible conflict in Kazakhstan, the Canadian uranium producers went up. We have liked owning really good agricultural land in Ukraine and Brazil and Argentina and Malaysia and Indonesia different places over time, and it's often when one place is troubled the other place is making us a lot of money. So that continues to be the process. We're comfortable in Ukraine, but we would be less comfortable if that were the only agricultural holdings we had.



Alissa Corcoran: *I believe I've covered most of the topics from the Russian/Ukraine standpoint, we did get a question on our exposure to gold and silver miners and the thoughts on the direction of bullion and I can answer that.*

We have 25% of our portfolio in the gold and silver mining companies, a little bit of copper in there, but mostly gold. We found it very surprising that yesterday, gold was actually down, despite the fact that there's a war that's being announced. War has tended to historically be very inflationary and therefore we would expect the gold price to reflect that, but even that aside, we believe that gold should be higher with the money that has already been printed.

And many of our gold mining companies will do well, even at current prices. As I mentioned Polyus already has a 50% net income margin at today's prices. And the probability that gold goes higher from here, we believe, is very high. So we liked gold, even before yesterday. These sorts of disruptions tend to be very good for gold historically. And copper too. Inflation is good for scarce goods, including agriculture, including copper, uranium, energy. So, we own those things we use our incentive price; copper has been something that our copper names have done better than our gold names and we've been trimming copper and rolling that into gold names recently. So we're still positive on scarce goods that will do well in inflationary environments.

So that concludes our call. If, for whatever reason, we didn't answer your question to the extent that you feel we should have, please reach out to someone on our sales and marketing team, and we will be sure to get your question answered to your satisfaction.

Thank you so much for joining us today and taking an hour of your time to talk about this really important topic.

Kopernik reviews audio recordings before posting the transcripts to the Kopernik web site.

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This webinar is dated Friday, February 25, 2022. We continue to monitor developments related to the Russia/Ukraine conflict.