

# BAYOU JUBILEE

“Bayou Jubilee” is a song by The Nitty Gritty Dirt Band (also known as the Dirt Band or NGDB), a band that has been around since 1966 but continues to play together. They are probably best known for their cover of Jerry Jeff Walker’s “Mr. Bojangles” and “Fishin’ In the Dark,” which reached #1 on the Country charts. Will the Circle be Unbroken (volumes I, II, and III), collaborative albums, became cult classics. My personal favorite is probably “Ripplin’ Waters.” Their cover of Hank Williams’ song “Jambalaya” is excellent. I’m also a fan of “Face on the Cutting Room Floor.” Per Genius, “It contrasts a woman’s rosy childhood visions of LA red carpets with the gritty reality of signing with a shady agent, getting exploited, and ultimately catching the 2:30 train out of town while the studio replaces her with ‘so many more’.” Many decades later, it might be updated from LA actresses to D.C. Cabinet members 😊.

I was fortunate to see NGDB live, but not in their prime. Returning to our title song:

*“Nothing in this world such a pure delight  
As a fais-do-do on a Saturday night  
Work your tail off all week long  
But forget about your troubles with a party and a song”*

As the lyrics suggest, when times are tough, often a little music and a party are just what the doctor ordered. And nowadays, with rising inflation, rising interest rates, expensive energy, massive debt levels, shockingly high budget deficits adding to that debt, alarming geopolitical conflict, and faith in institutions at all-time lows, Wall Street’s solution – Party. Fais do-do! Jubilation. The mood is captured by the chart below.



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Market cap to GDP, said to be Warren Buffett's favorite measure, is at an all-time high, approaching four times its level of two decades ago. Market cap is also at an all-time high as measured relative to book value, revenues, replacement value, and CAPE (cyclically adjusted price to earnings). Fais do-do indeed. Jubilee!

*"Dancin' so hot you'd think their shoes were burning  
Grandma's in the corner shakin' it too  
She's got her own version of a Cajun boogaloo  
Get out the fiddle rosin up the bow  
There's gonna be some music and I hope it ain't slow  
Grab your baby dance 'til three down at the Bayou Jubilee."  
— NGDB*

*"When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing."*

— Chuck Prince, Former Chairman & CEO of Citigroup

Usually, when the markets are jubilant, the overall environment is extremely supportive. Yet here we are with record challenges. In the appendix is a chart of the sorry state of low esteem in which major institutions are currently held. The chart doesn't capture how much lower these numbers are relative to the past. It's been quite a plunge. Quite a conundrum, trying to reconcile the markets to their underlying fundamentals. But rest assured, the stock market is not the topic at hand. Many gifted prognosticators have recently written persuasive arguments on the markets; some are quite constructive while others are predictive of doom and gloom. We have nothing worth adding to the discourse.

Our topic is "Jubilees." Thus far we've focused on one definition, a grand celebration, often commemorating an important milestone. 2021 commemorated a major milestone, the 40<sup>th</sup> anniversary, and likely end of the bull market in U.S. Treasuries. Coincidentally, the 40<sup>th</sup> anniversary is typically called the Ruby Anniversary, and perhaps fittingly, the bond market has been a sea of red since then.

## 30 Year U.S. Treasury Yield

2021 - 2026

Source: MacroTrends.com



This factoid provides a good segue to the type of jubilee that is pertinent here – **a debt jubilee: a large-scale cancellation or forgiveness of debts**. To provide background, here is some narrative from a website of Lyn Alden:

### *“Debt Jubilees: a 4,000+ Year History*

*In ancient times, debts were often about crop harvest outcomes. Farmers would rack up tabs with various counterparties throughout the year and pay them off at harvest season, but if the harvest failed for one reason or another, the farmers would be financially destroyed. When they were unable to pay their debts, they would generally lose their land to their creditors, and if that didn’t cover it, they might be forced into slavery to their creditors for a period of time.*

*If that happens enough times to enough people, it eventually becomes destabilizing at the whole societal level rather than just the individual level. More and more people end up as landless slaves, and wealth concentrates more and more into the hands of the few. The numbers get very lopsided, and eventually those with nothing to lose, and who greatly outnumber their masters, resort to violent revolution. No king wants to be in power when that happens.*

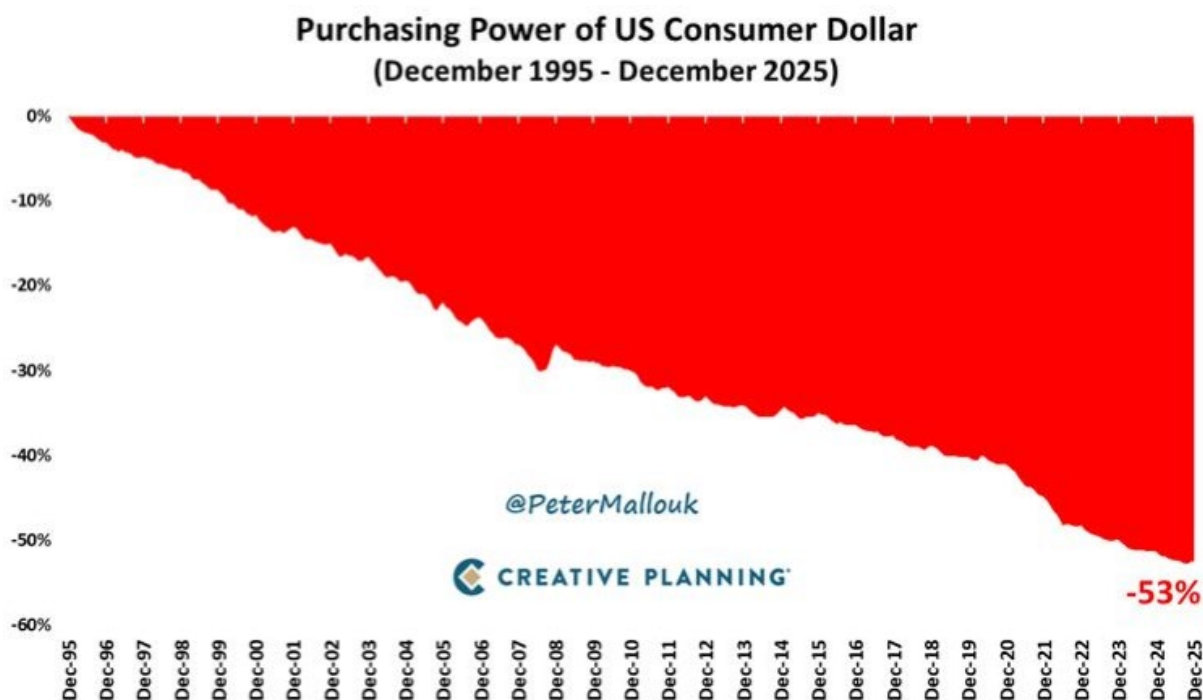
*So, kings would often use decrees to forgive certain types of debt and servitude, restoring freedom or land and resetting things for another several decades. Or they would put limits on how many years someone could be a debt slave until they are freed, even if their time in slavery doesn’t fully cover their debts.*

*Debt jubilees date back at least 4,000 years to ancient Sumer, Babylon, and other areas of western Asia. Ancient kings would sometimes forgive societal debts as a matter of public stability, and some of them put the practice into law at regular intervals or triggered by certain catalysts.*

*Ancient Israelites had the concept of a debt jubilee every five decades, where people could come out of servitude, return to their land, and so forth.*

*[Solon](#), who is credited for building some of the foundations of ancient Greek democracy in the sixth century BC, used a partial debt jubilee as part of his solution to avoid catastrophic class conflict.”*

So it's clear that debt jubilees have both a long history and a purpose. Is this ancient history relevant today? It's often said, what can't go on forever won't go on forever. The current debt-orgy certainly can't. Similarly, what can't be repaid, won't be repaid. It is clear that the U.S. government, and most all the others, have no intention of getting their fiscal houses in order. Even if they did, history shows that current debt levels are not manageable. Now, when we say it won't be repaid, we mean repaid with something of equivalent economic value to what was lent. Paying back 2026 dollars with 2056 dollars is quite likely. The chance that 2056 will have anywhere near the same purchasing power as 2026 dollars is inconceivable. This chart shows the loss of purchasing power of the US dollar, which has more than halved over the past 30 years.



Certainly, the next 30 years will be much worse given the comfort level the government has with perpetual \$2 trillion deficits. Over the past century, the dollar has lost over 99.5% of its value relative to gold. It would be shocking if the next century isn't much worse (if such a thing is possible). **Devaluation is said to be endemic to all systems, especially democracies.** Scottish historian Alexander Fraser Tytler was correct, "*democracies can only last until the voters discover that they can vote themselves largesse from the public treasury.*"

**Mother Goose and Grimm** by Mike Peters

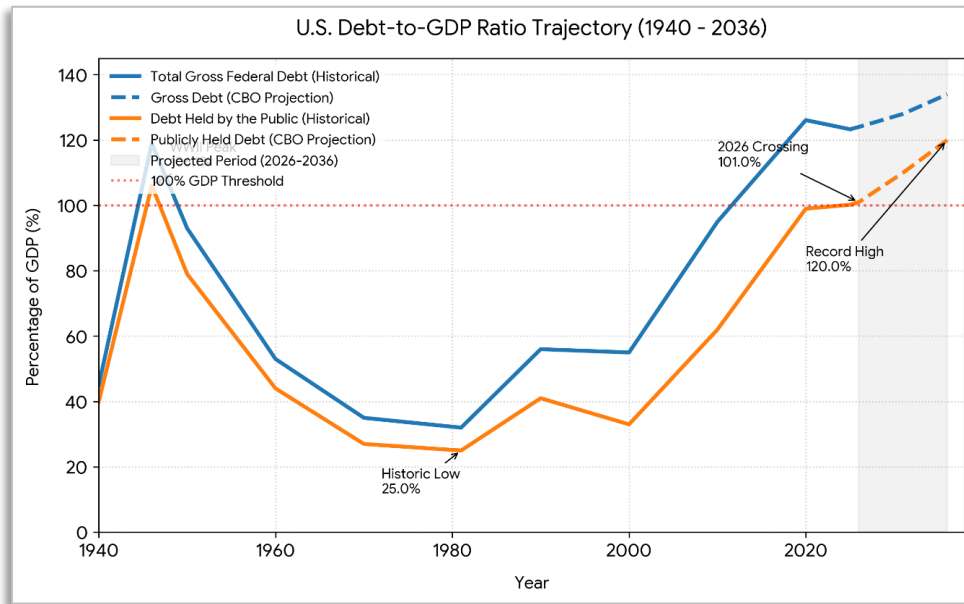


While inflation continues to erode the value of dollars, there are other worrisome signs for debt holders. During this millennium to date, we've witnessed **increasing signs of politics trumping rule of law**. At various times, mortgages have been forgiven, and student loans and rents have been deferred. LME (liability management exercises) have become commonplace. (Time doesn't permit a discussion of these travesties so you may want to google them or read Jim Grant's many great discussions on the topic.) Certainly, in the overdone private credit arena, the increasing usage of gates in recent months (a gate provision allows fund managers to limit or halt investor withdrawals during redemption periods) suggests a reallocation of wealth is underway. When times get tough, the powers that be do what they feel they must. As for the rest of us, *Caveat Emptor*.

**The Budget Outlook, by Fiscal Year**

	Percentage of GDP					Billions of dollars			
	Average, 1976-2025	Actual, 2025	2026	2027	2036	Actual, 2025	2026	2027	2036
<b>Revenues</b>	<b>17.3</b>	<b>17.2</b>	<b>17.5</b>	<b>17.7</b>	<b>17.8</b>	<b>5,235</b>	<b>5,596</b>	<b>5,885</b>	<b>8,301</b>
Individual income taxes	8.0	8.7	8.6	8.8	9.1	2,656	2,751	2,947	4,249
Payroll taxes	6.0	5.8	5.7	5.7	5.7	1,748	1,826	1,897	2,666
Corporate income taxes	1.7	1.5	1.3	1.3	1.2	452	404	419	576
Customs duties	0.2	0.6	1.3	1.3	0.9	195	418	421	402
Other	1.2	0.6	0.6	0.6	0.9	183	197	201	408
<b>Outlays</b>	<b>21.2</b>	<b>23.1</b>	<b>23.3</b>	<b>23.3</b>	<b>24.4</b>	<b>7,010</b>	<b>7,449</b>	<b>7,772</b>	<b>11,416</b>
Mandatory	11.2	13.7	14.2	14.4	15.0	4,168	4,529	4,783	7,028
Social Security	4.5	5.2	5.2	5.3	5.9	1,575	1,666	1,769	2,747
Major health care programs	3.5	6.0	6.0	6.0	6.7	1,819	1,908	1,985	3,115
Medicare	2.2	3.3	3.3	3.4	4.2	988	1,063	1,140	1,970
Medicaid, CHIP, and marketplace subsidies	1.4	2.7	2.6	2.5	2.5	832	845	845	1,145
Other mandatory	3.2	2.5	3.0	3.1	2.5	773	955	1,029	1,166
Discretionary	7.8	6.2	5.9	5.6	4.8	1,872	1,880	1,882	2,244
Defense	4.1	2.9	2.8	2.7	2.4	893	885	901	1,100
Nondefense	3.7	3.2	3.1	2.9	2.4	980	996	981	1,144
Net interest	2.1	3.2	3.3	3.3	4.6	970	1,039	1,108	2,144
<b>Total deficit (-)</b>	<b>-3.8</b>	<b>-5.8</b>	<b>-5.8</b>	<b>-5.7</b>	<b>-6.7</b>	<b>-1,775</b>	<b>-1,853</b>	<b>-1,887</b>	<b>-3,115</b>

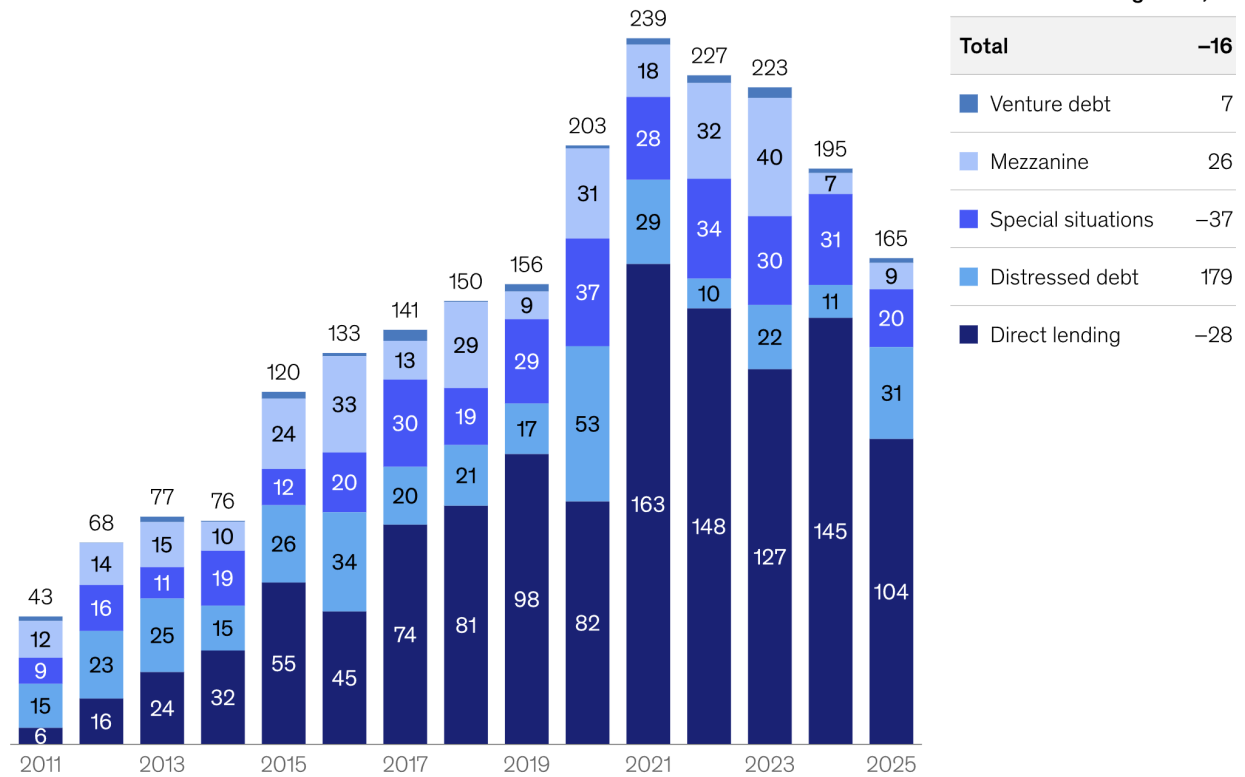
Source: Congressional Budget Office



Source: Congressional Budget Office

## Private credit closed-end fundraising declined 16 percent in 2025.

Global closed-end private credit fundraising,<sup>1</sup> by strategy, \$ billion



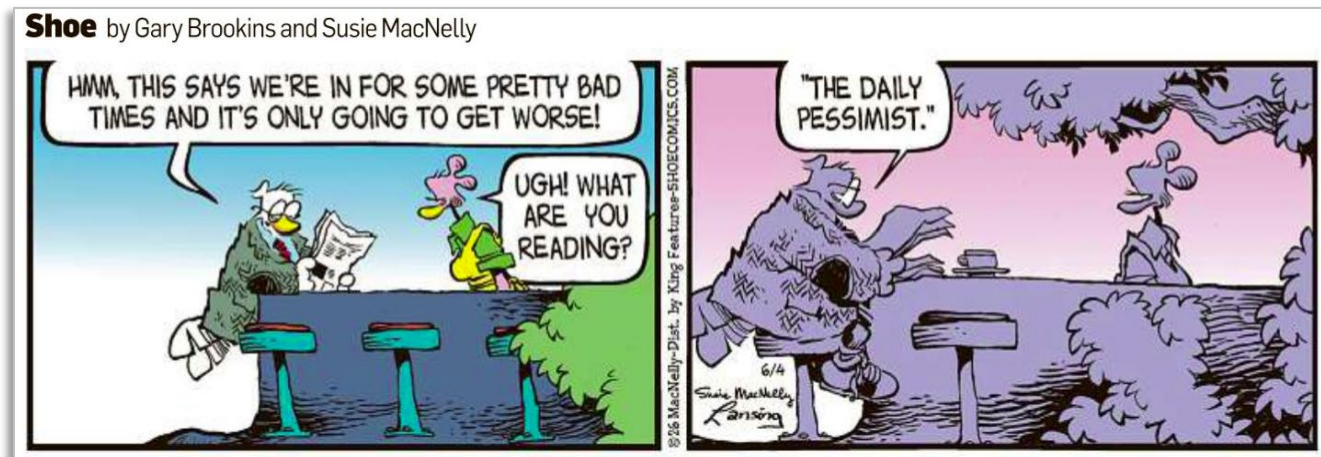
Note: Figures may not sum to totals, because of rounding.  
<sup>1</sup>Excludes secondaries and funds of funds.  
 Source: Preqin

Before moving on, let's return to Ms. Alden:

*"It wasn't necessarily out of kindness that rulers did this (although a significant subset of them aged well in history and were wise); it was basically just a solution to a societal math problem. It's like if you run a computer long enough, eventually it starts to work less efficiently. As memory leaks and other issues build up, it starts to freeze and slowdown, frustratingly. It's a mildly unstable system in other words. Refreshing the power and rebooting the system gets the computer running smoothly again.*

*Debt jubilees generally served that purpose: an occasional reset to wipe out some of the growing instabilities from prior generations, and begin with a cleaner slate and a renewed social contract. Otherwise these societal imbalances tend to cleanse themselves with more violent revolutions, with the many poor vs the few rich."*

We've painted a picture that is not rosy, more of a ruby-red, a scarlet warning signal. Not to worry. While we'll make no effort to downplay the seriousness of the challenges, we'll also present the case that a little joy is still in order.



Obviously, long-term bonds are not exciting. They arguably yield less than real inflation and certainly don't offer an attractive return, even sans a jubilee. In the 1980s, long rates approached 15% and short rates reached 22% during a time when the economic challenges were minuscule in relation to today. And don't look here for encouragement on the U.S. stock market. After all, the market is at record valuations based upon almost every relevant metric and signs of speculation are rife. SpaceX just came public at 100 times revenues and immediately jumped 23%. Trillions of dollars are being poured into price-agnostic funds. That's not at all what the "efficient market hypothesis" hypothesizes. To appropriate one of Jim Grant's former sayings about the bond market, *"you'll find better values in your hotel minibar than you will in the S&P 500 index."*

Fortunately, there is much merit to the old cliché, "it's not a stock market but a market of stocks." Breaking things down to first principles (for what it's worth - *"nitty-gritty"* refers to the core, essential, or practical details of a situation or task. It strips away high-level overviews and gets down to the fundamental facts), **stock ownership is ownership of an underlying business.** Nobody should invest money in a stock without making every effort to understand and appraise the value of that business. While that is always a truism, fundamental analysis is now more important than ever. Why? The dollar and other currencies are losing value and seem destined to continue doing so. The index is teeming with "ticking timebombs." Dynamics are changing rapidly. Society's "safety nets" are shaky. The onus is increasingly on individuals and institutions to create and defend the purchasing power of their businesses and portfolios.

While the explosive return of manic market conditions has been concerning, in many ways it's also been a godsend. As anointed theme stocks soared, well-known and proven stores of value have corrected back to interesting levels. Valuable, needed, hard-to-replicate assets and franchises such as cell networks, railroads, natural gas reserves, and resources such as gold, silver, platinum, uranium, and other metals are all at meaningful discounts to their prior levels. We are now able to repurchase some of the gold mining stocks that we sold earlier this year. Since the end of January 2026, gold is down 22%. Over that same period, the GDX ETF is down over 30% and GDXJ is down 35%. We've been able to add to Royal Gold at a 28% discount to its recent past; International Tower Hill looks great at a near 40% discount to February; Novagold stock is down 45% from where we were trimming the position four months ago. While our gold mining positions came down substantially, platinum miner positions, post significant sales, remained at a high single-digit position. We've been happily adding back to Valterra, Impala, and Sibanye at 40%, 50%, and 50% discounts to recent highs, respectively.<sup>1</sup>

## Gold

Jan 2026 - Jun 2026

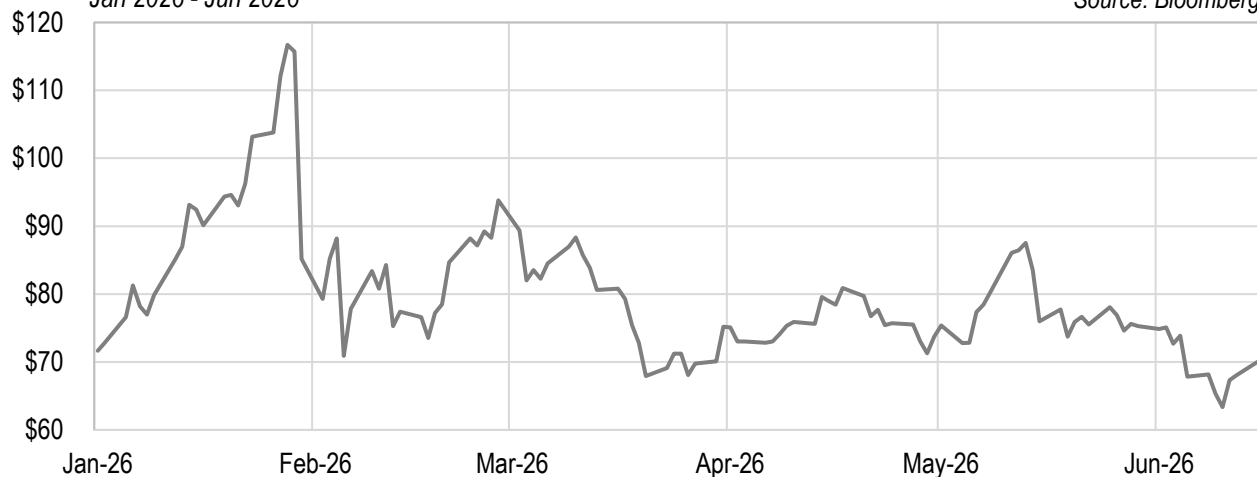
Source: Bloomberg



## Silver

Jan 2026 - Jun 2026

Source: Bloomberg

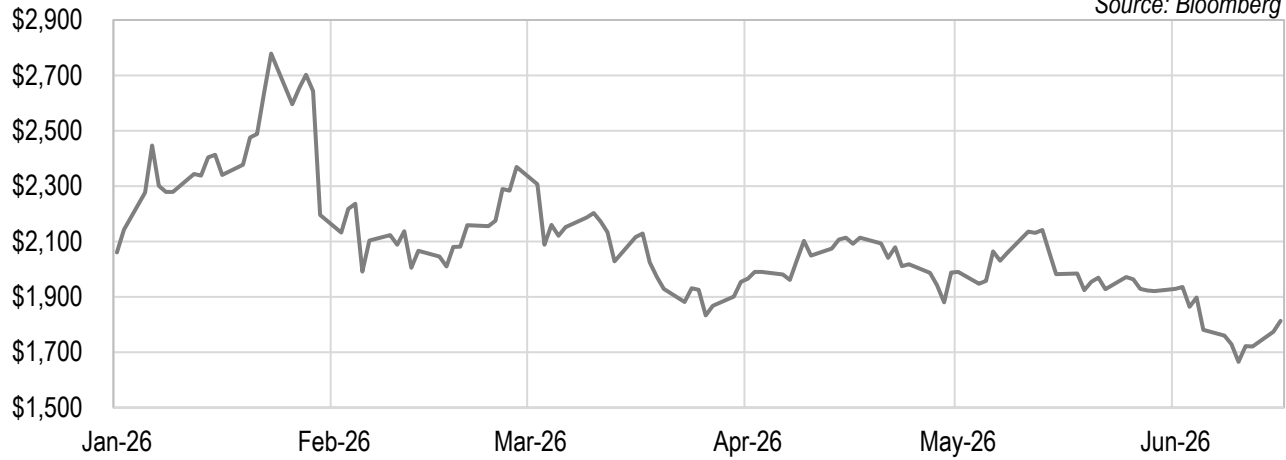


<sup>1</sup> Royal Gold Inc.; International Tower Hill Mines; Novagold Resources Inc.; Valterra Platinum Ltd.; Impala Platinum Holdings Ltd.; Sibanye Stillwater Ltd.

## Platinum

Jan 2026 - Jun 2026

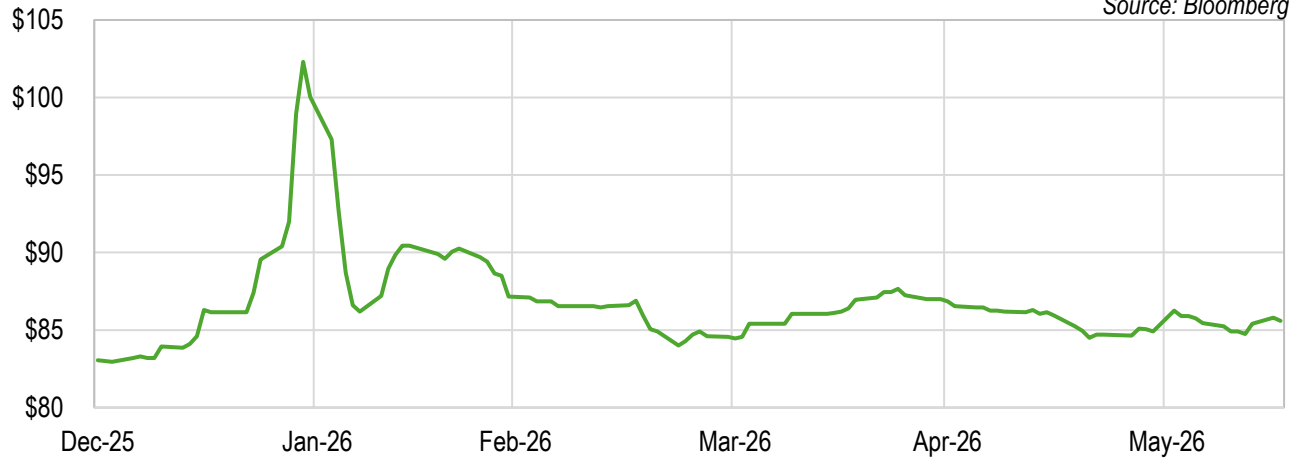
Source: Bloomberg



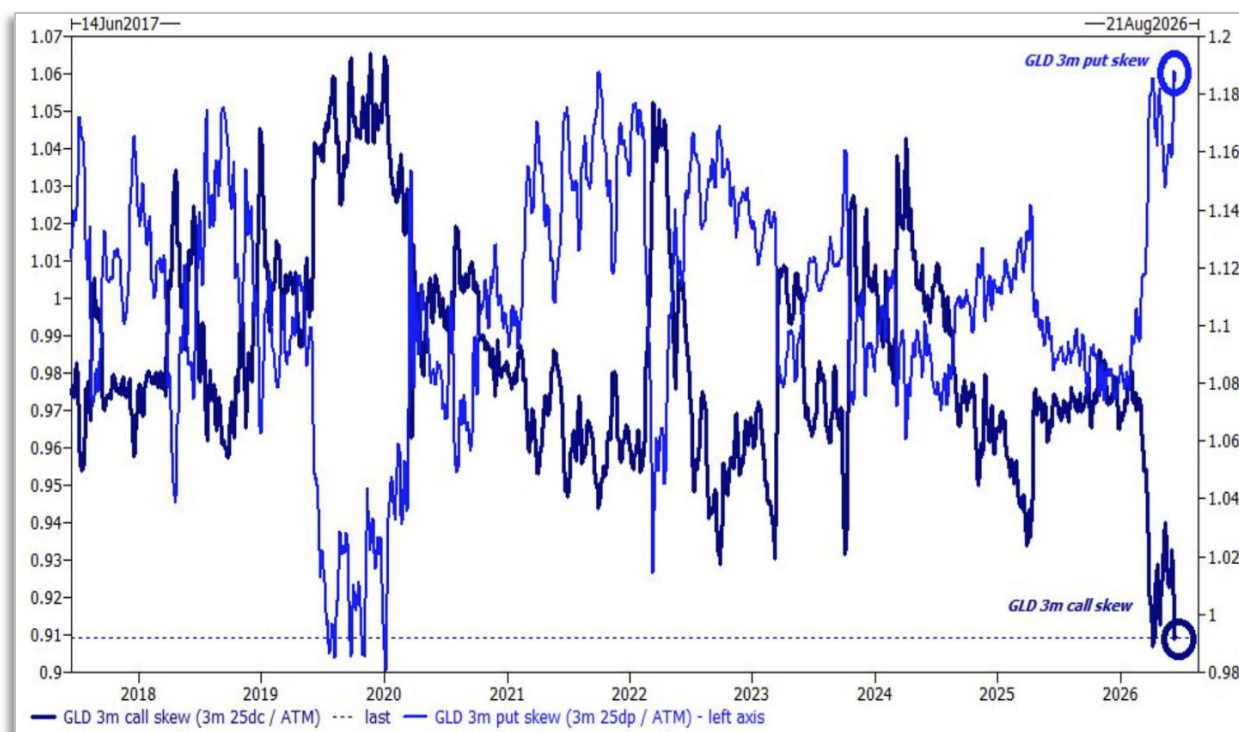
## Uranium

Jan 2026 - Jun 2026

Source: Bloomberg



## The Options Market Has Never Been More Bullish On Chips Or More Bearish On Gold (as measured by put/call 3-month skews)



Source: ZeroHedge

Elsewhere in resources, there have been substantial corrections in uranium, natural gas, many agricultural commodities, and select quality stocks. For example, Ivanhoe Mines is down 55% from earlier this year.<sup>2</sup>

Railroads are a much-needed and very hard-to-replicate industry. Hong Kong-based Guangshen Rail is down 62% from its levels from almost two decades ago. Amazing. It's less than 10x earnings and ½ of book value. Likewise, West Japan Rail sits at just over half of its pre-COVID level. It's less than 10x earnings and around book value. Tokyo Metro hasn't been publicly traded for that long, but still is down almost a third from last year's level. It trades at 12x earnings and a 25% premium to book value. Tokyo Metro reported 2.5 billion passengers last year; West Japan Rail reported 1.9 billion. Guangshen is smaller and only operates between Guangzhou and Shenzhen; even so, it still had over 63 million passengers in 2025. These railroads may be undervalued, but they are clearly not worthless.<sup>3</sup>

We always (semi) joke that many people would rather give up food than their cell phone service. Following a 35% correction, Chile's dominant phone provider Entel resides in the bargain bin, trading at less than 6x earnings and 56% of book value. Korea Telecom is a third below February's level and sits at 8x earnings and three-quarters of book value.<sup>4</sup> The conglomerates that we've featured over the past several years such as CK Hutchison, GS Holdings, and LG Corp, have performed well, but still all sit at less than half of book value.<sup>5</sup> Furthermore, book value is well understated in our opinion. Many other sectors are also on our radar screen, but this sampler should suffice to make the point.

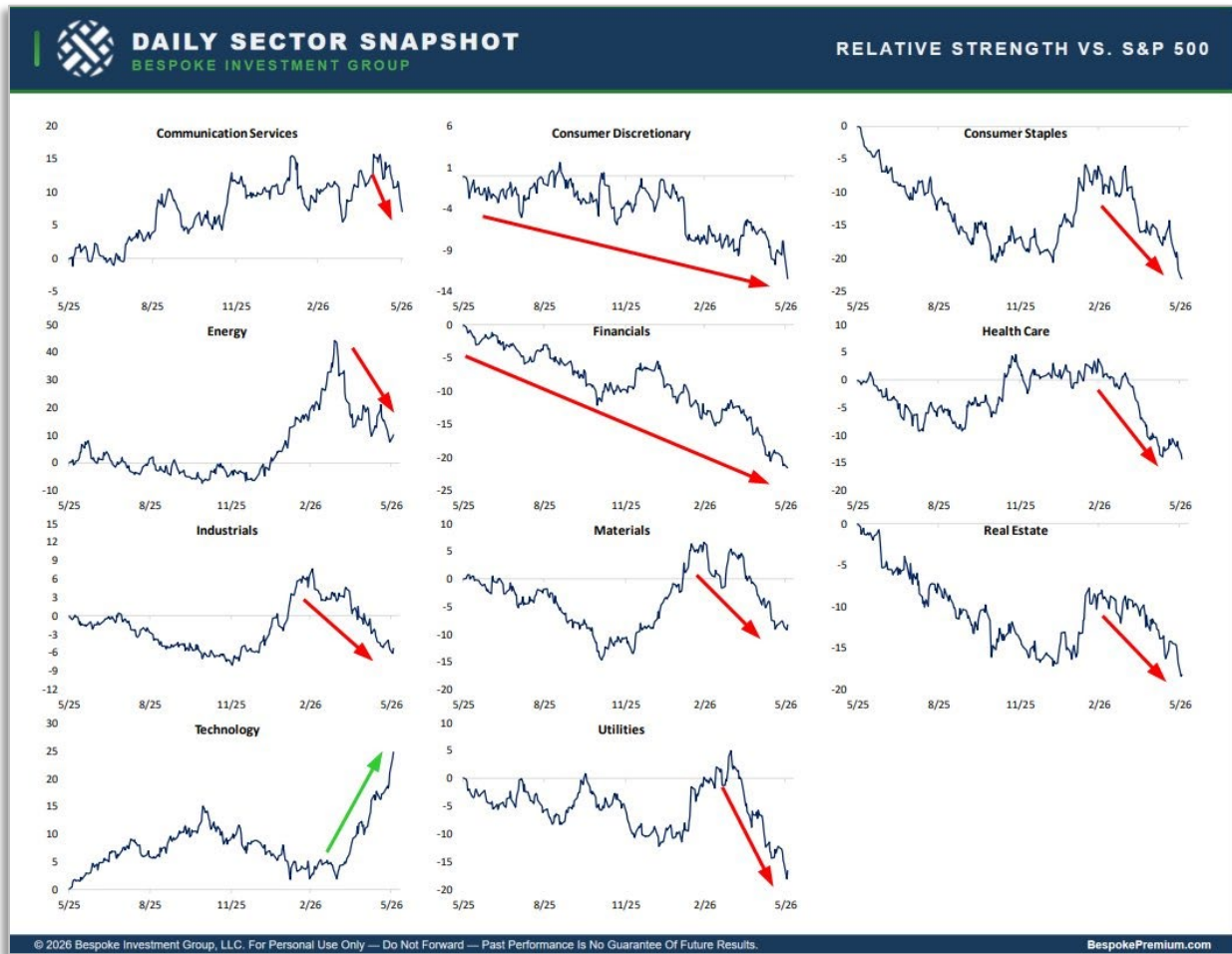
<sup>2</sup> Ivanhoe Mines Ltd.

<sup>3</sup> Guangshen Railway Co Ltd.; Tokyo Metro Co Ltd.; West Japan Railway Co.

<sup>4</sup> Empresa Nacional de Telecomunicaciones SA; KT Corp

<sup>5</sup> CK Hutchison Holdings Ltd.; GS Holdings Corp.

Before signing off, it's important to point out that outside of technology, the market is well into correction/bear market territory. There are bargains in the making.



Looking for safer, more attractive investment opportunities unfortunately requires changing direction, possibly feeling some pain. For value stocks, it shouldn't be jubilee *but joyful resurrection*. In the words of Tom Fogerty (John's late brother):

*"Have you heard (have you heard) of the joyful resurrection?  
 A way to bring your mind back from the dead  
 Have you heard (have you heard) of the joyful pain direction?  
 Change of scene is gonna change your head"*

The brothers' former group Creedence Clearwater Revival, long a favorite of mine, fits in well with our Cajun/bayou motif. They've been called the Kings of Swamp Rock. At any rate, the tech stocks may prove to be the real thing and go up from here; prove to be the real thing but get thumped like the real deals from the past (Canals, Rails, Telecom and Radio, Semiconductors, Internet stocks, all of which fell more than 75%); or they could prove to have been over-hyped. Others can play that speculation game. True investors should roll up their sleeves, perform due diligence, and buy undervalued companies. Jean-Marie Eveillard points out that value investing is pain. The "pain direction" may be the requirement to participate in the "joyful resurrection" of value stocks. Advice to passive investors who zombie-like, toss their money into overvalued indices: perhaps a little investment analysis is a good "way to bring your mind back from the dead...A change of scene is gonna change your head."

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The bifurcation in the market is extreme, which is encouraging for active managers, who can unearth undervalued gems in this otherwise very expensive market. History suggests the pain will soon move from value managers to momentum managers. A *change of scene* is in order. We continue to patiently anticipate the coming chapters of this ongoing market saga.

Cheers,

**David B. Iben, CFA**

Co-Chief Investment Officer & Lead Portfolio Manager

June 2026

## Faith in Institutions, 2025 Gallup Poll

	Great deal %	Quite a lot %	Some %	Very little %	None (vol.) %
Organized religion	20	16	32	27	3
The military	34	28	23	13	*
The Supreme Court	10	17	38	31	3
Banks	11	19	44	23	1
The public schools	11	18	39	30	1
Newspapers	6	11	36	39	4
Congress	4	6	36	49	3
Television news	5	6	33	48	5
The presidency	17	13	17	45	7
The medical system	12	20	38	28	2
The criminal justice system	5	12	42	37	2
Big business	5	10	36	43	3
Small business	32	38	24	5	*
Large technology companies	9	15	42	30	2
Higher education	17	25	33	21	2

## Never Ending Story

*The futures is now: Michael Selig, chair of the Commodity Futures Trading Commission, took to CNBC Monday to explain his agency's rationale in approving perpetual futures contracts for U.S. punters on May 29.*

*The products – listed derivatives featuring no expiration date nor ownership of the underlying asset – have quickly caught on stateside, with Kalshi revealing last Thursday that it handled \$3 billion in trading volume during a beta testing period which lasted just over a week. “We’re going to make sure there’s proper disclosure,” Selig said, “and, to the extent that there’s questions about suitability, the brokers have to make those calls and make sure they’re evaluating the customers that are trading in their markets.”*

*One prominent industry player emphatically dissents from the CFTC's verdict. On June 4, CME Group CEO Terry Duffy deemed the so-called perps a “disaster waiting to happen,” pointing to outsized degrees on leverage on offer, which reached 50:1 on some venues as of early this month. “I believe the [capital markets have] been supplanted by the speculation market, and that does not suit anyone's interest,” he added.*

*To be sure, perps present a competitive threat to the venerable, 128-year-old bourse, with CME shares down 14% over the past month. Last Thursday, CME announced it will offer 24/7 trading contracts in crude oil futures beginning June 30, with Bloomberg reporting a day later that the CFTC may block that initiative, owing to concerns that off-market trading could aggravate market volatility in today's geopolitically fraught backdrop.*

*Regulatory snafus and all, perps have already carved out a niche in Wall Street's speculative vehicle du jour: punters traded more than \$1.2 billion of SpaceX perps on last Friday's IPO date via the Hyperliquid platform and \$5.6 billion on Binance, with that combined tally equating to roughly one-tenth the dollar-equivalent turnover on the Nasdaq.*

*With Elon Musk's rocket maker opting to initially float just over 4% of outstanding shares, perps arguably contribute to price discovery, though not without growing pains. SPCX shares closed for regular trading on Monday at a \$2.5 trillion market cap, with that valuation lurching to \$3 trillion on Hyperliquid a few hours later. Bloomberg reports that a sharp increase in funding rates for bearish bets initiated a “classic short squeeze,” spurring more than \$50 million in short position liquidations Monday evening, per data from Coinglass. SpaceX wrapped up today's cash session with a \$2.64 trillion market cap.*

*A Monday press release, meanwhile, illustrated the category's latest round of financial innovation, albeit one slightly outside the Graham-and-Dodd investing curriculum. Yesterday, the Bittam Exchange trumpeted the debut of crypto perps, dangling a \$300 bonus for newly registered users alongside some noteworthy features:*

*No [know-your customer rules], instant trading – start trading within seconds without complicated verification;*

*Up to 200x leverage – meet diverse trading strategies for both beginners and pros;*

Source: Almost Daily Grant's, June 16, 2026.

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*Boy I love those old time tunes  
They can tickle your senses like a Cajun moon  
Creole food sure tastes fine  
When you wash it on down with that homemade wine  
Get out the fiddle rosin up the bow  
There's gonna be some music and I hope it ain't slow  
Grab your baby dance 'til three down at the Bayou Jubilee  
Grab your baby dance 'til three down at the Bayou Jubilee  
There's Pierre and his girl Laverne  
Dancin' so hot you'd think their shoes were burning  
Grandma's in the corner shakin' it too  
She's got her own version of a Cajun boogaloo  
Get out the fiddle rosin up the bow  
There's gonna be some music and I hope it ain't slow  
Grab your baby dance 'til three down at the Bayou Jubilee  
Grab your baby dance 'til three down at the Bayou Jubilee*

Nitty Gritty Dirt Band, "Bayou Jubilee"

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