



Ausbil Global Resources Fund

Bell Potter Unearthed Conference

February 2022

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ausbil



Ausbil Global Resources Fund

Who we are?

- The **Ausbil Global Resources Fund** is a long/short Natural resources fund, seeking to generate absolute returns.
- Run by Portfolio Managers **James Stewart** and **Luke Smith**, who both have in 20+ years resources experience
- Fund uses **Top down** (macro) and **bottom up** (company specific) analysis
- We look for the **best opportunities** in the **best commodities**, and look to manage risk with effectively
- We have been short, and will be short again (although the **outlook now is very positive**)



The Market – Positive fundamentals, volatile equities.



Macro

Outlook is positive, on demand and supply side

Long-term opportunity

- **Positive supply-demand balance** across most commodities.
- **Supply underinvestment** supports prices
- **Supply shocks confirm market tightness**
- **Decarbonisation structurally** supporting various commodities
- **Inflation protection**

Short term opportunity

- **Chinese stimulus is accelerating**
- **Ex-China demand remains strong**
- **Supply shocks** in key nations (with more to come?)
- **Earnings upgrades** from commodity strength
- **Valuations cheap**

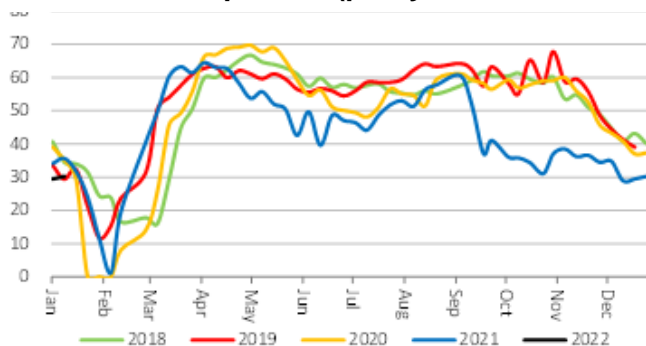
Macro

Catalysts and risks, what are we watching

Bullish for commodity prices

- **China stimulus** (construction heavy)
- Acceleration of **green stimulus** and **decarbonisation**
- **South American politics**
- Waiting for **supply responses**..... We can't see them (yet)

China Cement Shipments (proxy for construction)

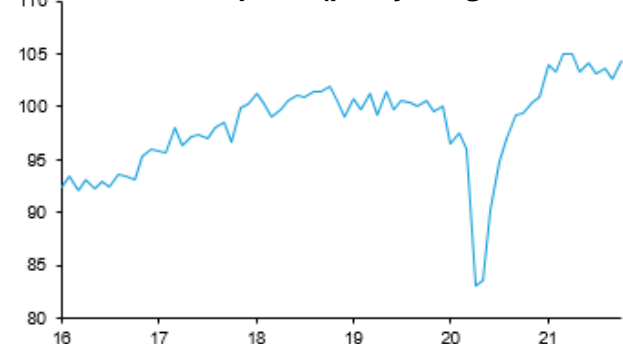


Source: Digital Cement, Mysteel, Morgan Stanley Research (as at 19/01/22)

Risks we are watching

- **China power constraints** (now easing)
- **Covid version 4.0?** (Economies keep reopening, Omicron a small speed bump)
- **Russia/Ukraine** tensions simmering, conflict not good for equity markets
- **Investor sentiment** as Fed raises rates and tapers into 2H

Global Exports (proxy for global activity)



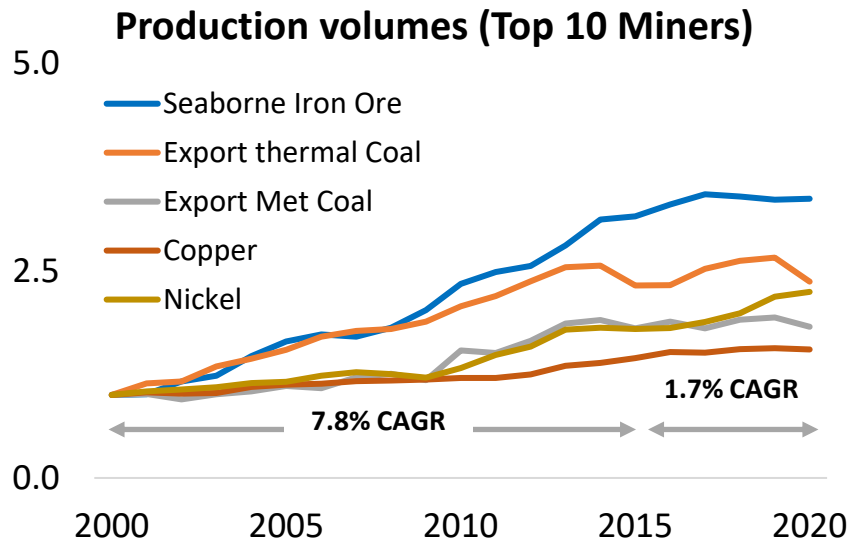
Source: Macrobond, Bloomberg, Macquarie Research (as at 18/01/2022)

Supply – Medium term constrained

Decarbonisation is driving commodity demand growth to a new level

Past (20 years)

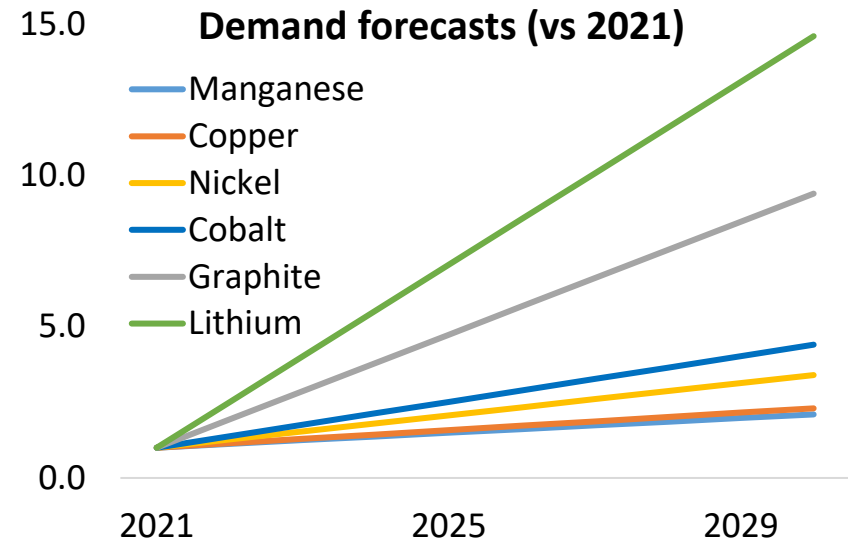
- **Underinvestment** over last decade
- **Production growth slowed**
- Markets are now very **tight**



Source: Ausbil, Bloomberg

Future (10+ years)

- Underlying **demand strong**
- **Decarbonisation** turbo-charging demand backdrop
- **Price strength to continue**



Source: Ausbil, UBS, Bloomberg



Risk Management – different approach required to invest in Resources

Natural Resources - A volatile space

Don't just buy and close your eyes

MSCI Select Natural Resources Index
return

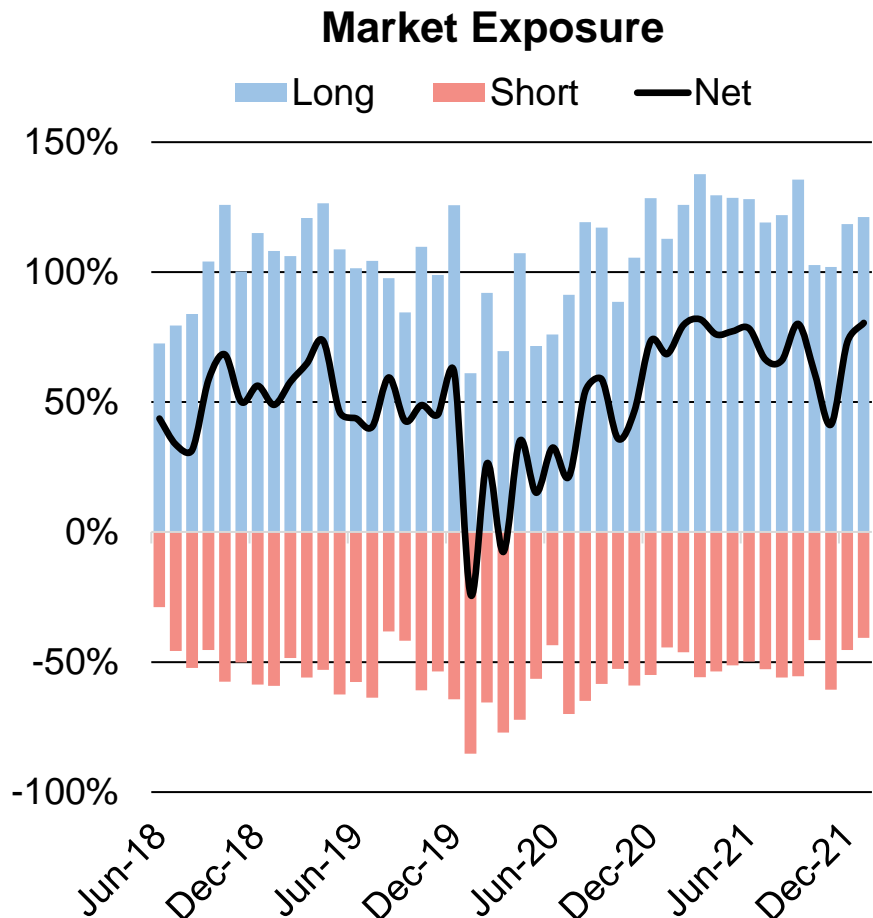


Natural Resources Equities are volatile

- +/- 20% moves in indices are not uncommon
- Fundamentals can look great...
- But the market can diverge from fundamentals
- This is why we take a long / short approach, and use protection against large moves

Managing Risk

Protecting capital key to investing within Resources



- We run a long/short fund
- Aim to generate absolute returns through cycle
- Risk management key within the sector
- Net exposure (long less short) gives our market exposure
- We run less than market exposure (<100% Net) and generate strong returns

Fund Performance

Strong performance through volatile markets, with protection

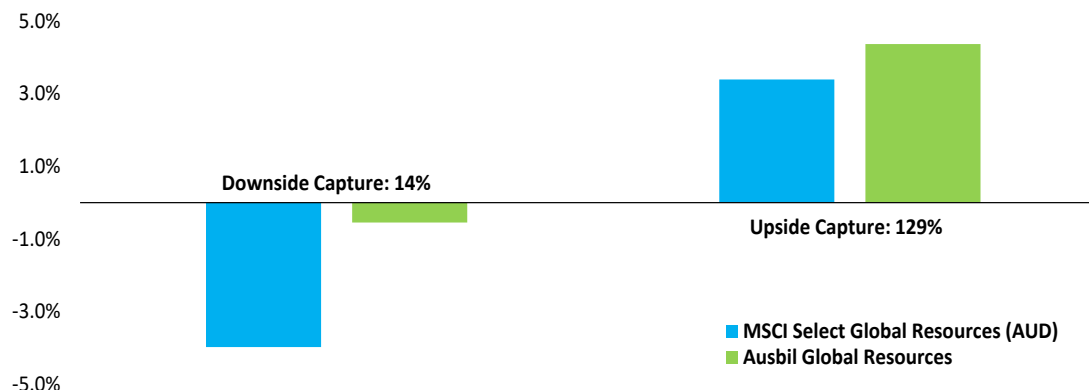
Fund Performance

Performance to 31 January 2022 ¹	1 Month %	3 Months %	6 Months %	1 year %	2 year p.a. %	3 year p.a. %	Since Inception ² p.a. %
Fund return (net of fees)	-1.8	+3.1	+13.3	+29.8	+44.6	+34.2	+23.6
AusBond Bank Bill Index ³	+0.0	+0.0	+0.0	+0.0	+0.2	+0.6	+0.8
MSCI Natural Resources Index ⁴	+8.5	+13.2	+13.1	+41.2	+16.6	+12.9	+9.5
ASX 200 Resources (TR) Index	+3.0	+14.3	-3.8	+13.2	+10.0	+12.2	+11.1
MSCI Global Energy ⁵	+18.8	+17.7	+33.1	+64.1	+3.3	+0.9	-2.0

Market Capture

- Comparison of Fund vs MSCI Select Global Resources Index in negative and positive months
- The Fund's **absolute return and long-short approach** allows us to **protect capital during the downturn**, while **providing upside to the recovery** in natural resources

Ausbil Global Resources Fund - Market Capture



1. Source: Ausbil. Bloomberg. Returns are calculated after fees have been deducted, assuming reinvestment of distributions. No allowance is made for tax. Past performance is not a reliable indicator of future performance. 2. The Ausbil Global Resources Fund (ARSN 623 619 590) inception date is 31 May 2018. 3. Bloomberg AusBond Bank Bill Index. 4. MSCI Select Global Natural Resources (TR) Index in AUD. 5. MSCI World Energy Sector Index in AUD.

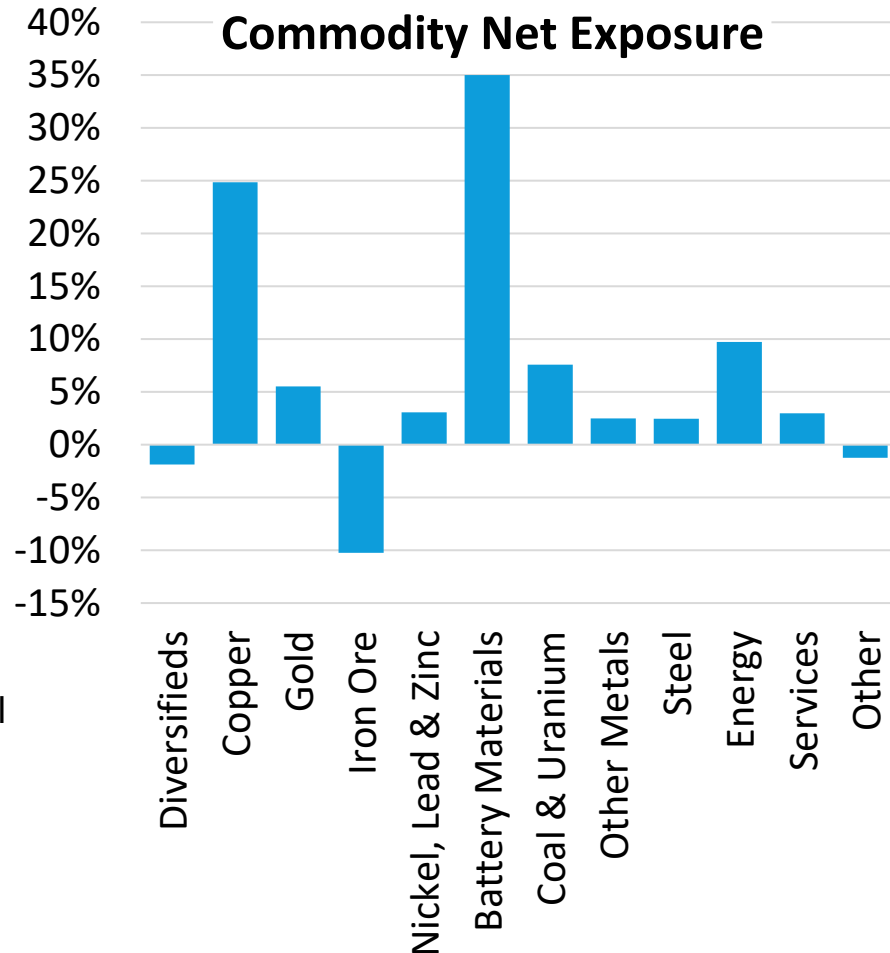


Portfolio Positioning

Portfolio positioning¹

Core positions in Battery Materials, Base Metals, Energy

- **Long Base Metals.** Demand recovered post Covid-19 impact on global growth. Supply disruptions and underinvestment.
- **Long Energy.** OPEC+ and forced curtailments managing supply. Demand accelerating. Energy crisis.
- **Long Battery Materials.** Electric vehicle uptake accelerating. Long-term demand growth exponential. Limited spare supply capacity.
- **Long Gold.** Macro impacted by FED hawkish tone, including QE Taper. Inflation expectations.
- **Short Iron Ore/Diversifieds.** Chinese steel demand moderated combined with mill curtailments. China property weakness.
- **Long Services.** Long Mining and Energy services on increased activity.



Portfolio positioning¹

Core Long positions

Base Metals	   
Energy	  
Lithium	   
Other	   

1. Source: Ausbil, as at 31 January 2022.

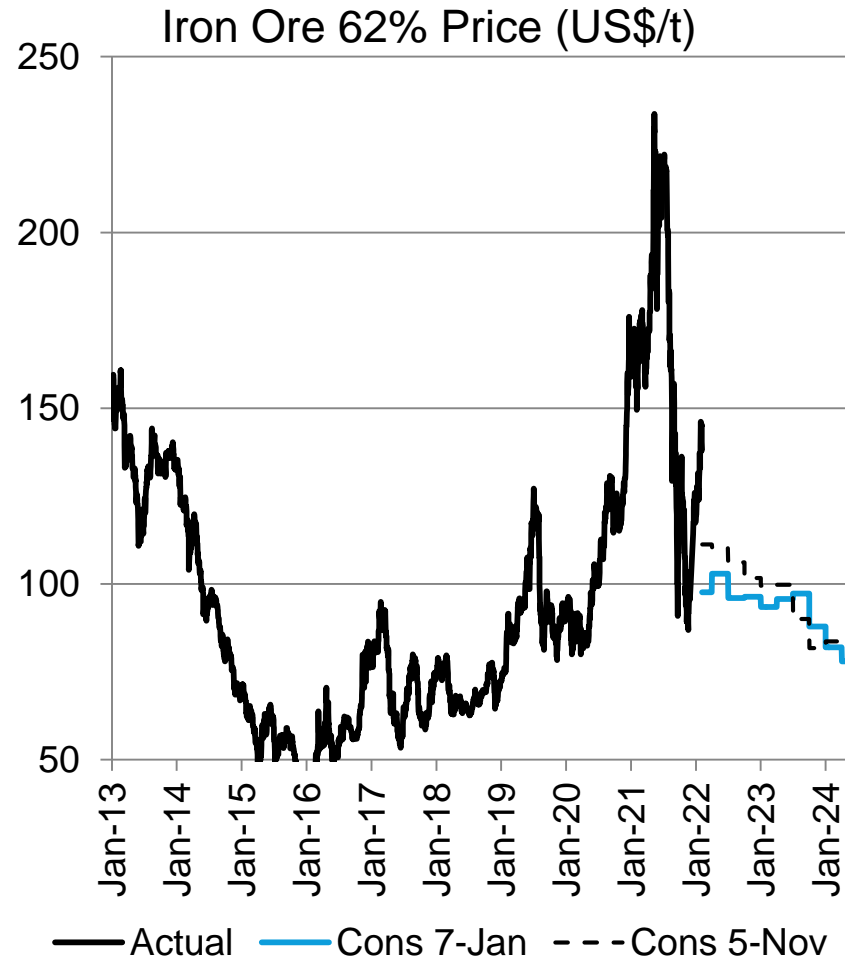


Questions?

Iron Ore

Iron Ore weakness has overshot fundamentals

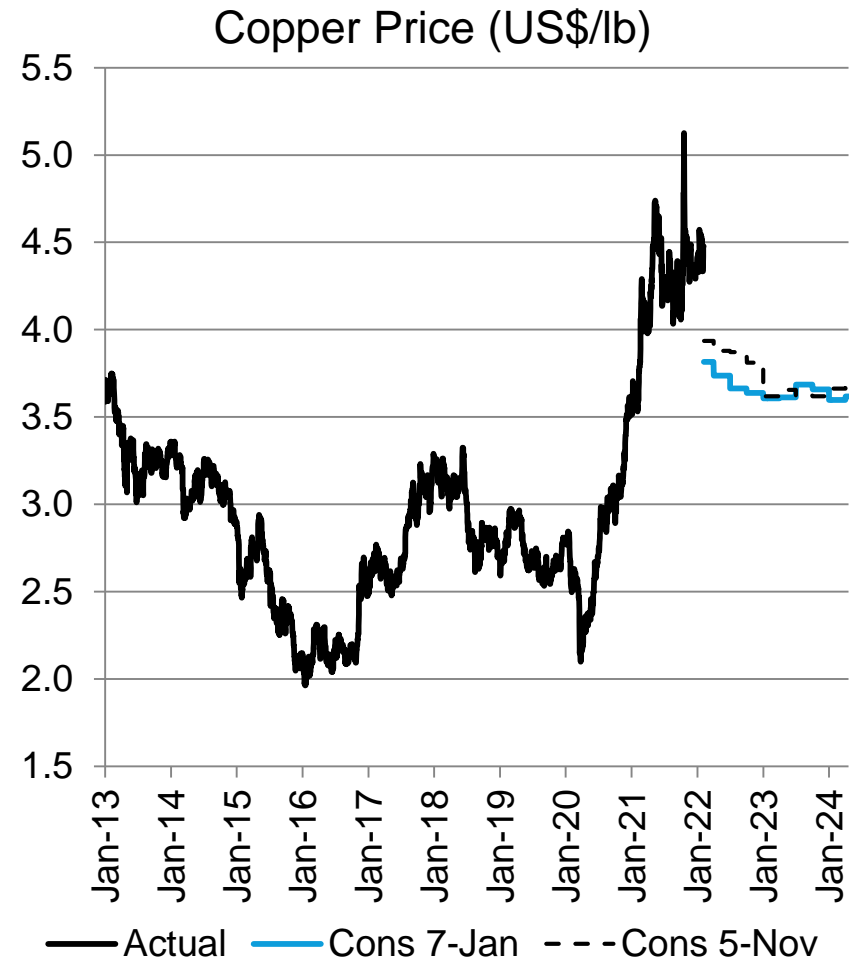
- Demand dominated by Chinese consumption (~60%)
- China stimulus eased materially – construction and therefore steel consumption dominant
- China environmental policies impacting market
- Steel mill curtailments further exacerbated weakened demand
- Commodity overshot fundamentals on downside
- Recovery reflects tailwinds of sentiment directed towards construction.



Copper

Demand strengthened; supply issues reinforce tight market

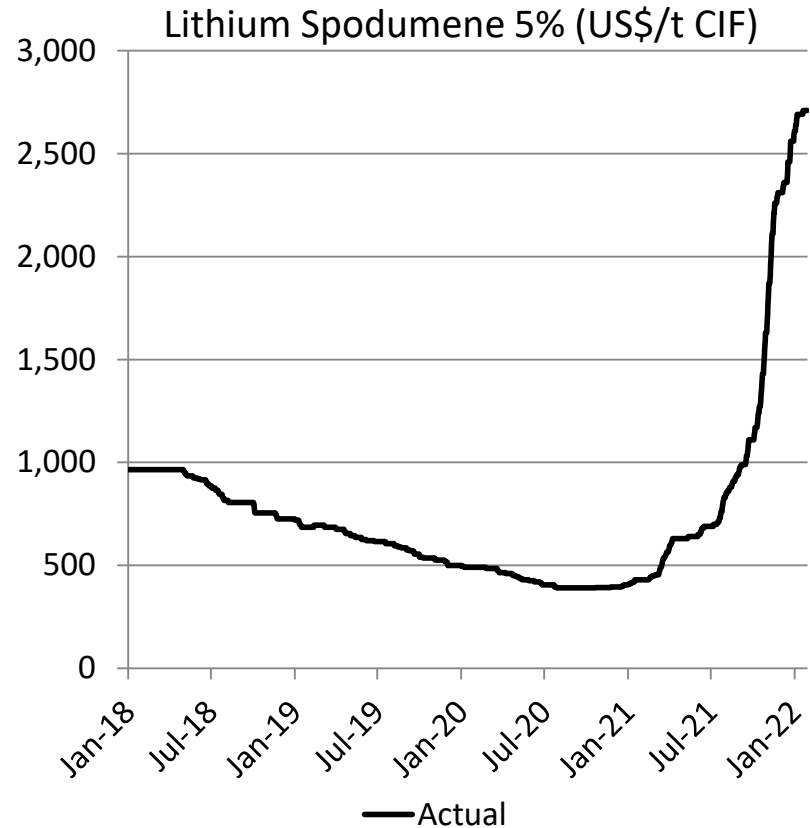
- Demand recovered post Covid-19 implications on global growth
- Supply disruptions from Covid-19 have tightened markets significantly – supports medium term
- Politics in key South American producing nations
- Supply underinvestment compounded by grade decline of existing mines
- Scrap availability limited
- China is heavily reliant on imported supply of raw materials
- Decarbonisation offers turbo-charged demand backdrop



Lithium

Demand is expected to grow exponentially; recovery accelerating

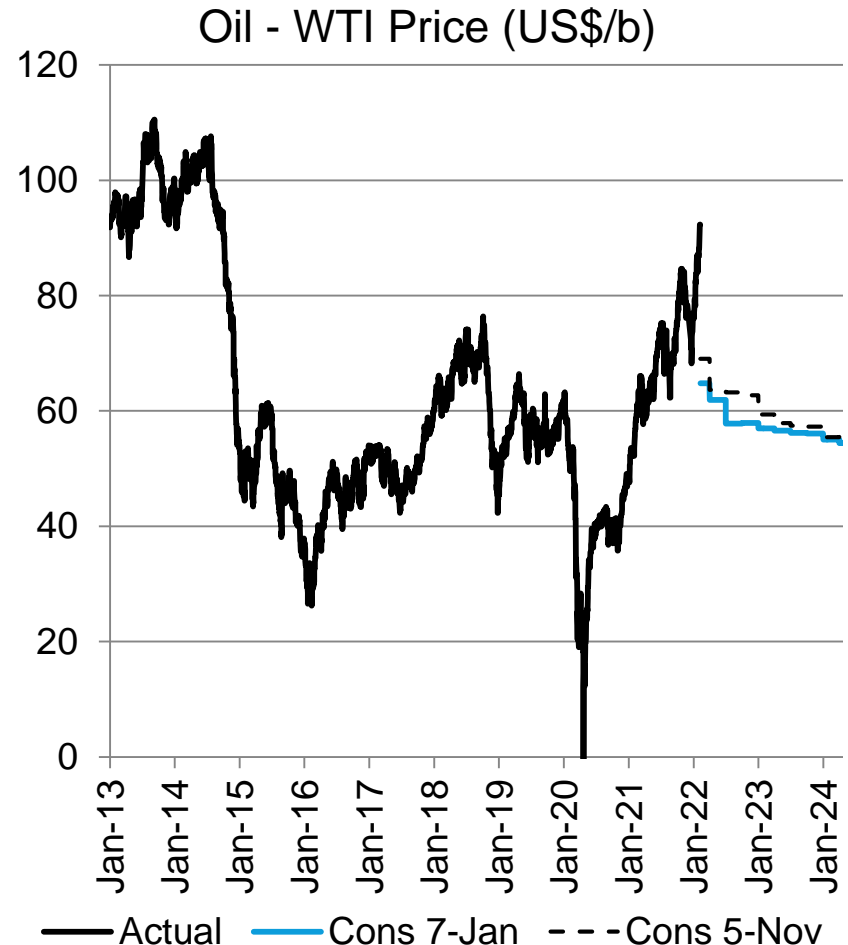
- We remain bullish on the battery materials space longer term
- Global demand backdrop extremely strong
- China demand remains strong
- European EV penetration accelerating post Covid given green stimulus
- US support for EV's is forthcoming
- Prices recovery accelerating
- Plenty of resources, but supply will take time to catch up
- Market very tight in short to medium term.



Oil

Supply rebalancing market, demand recovery accelerating

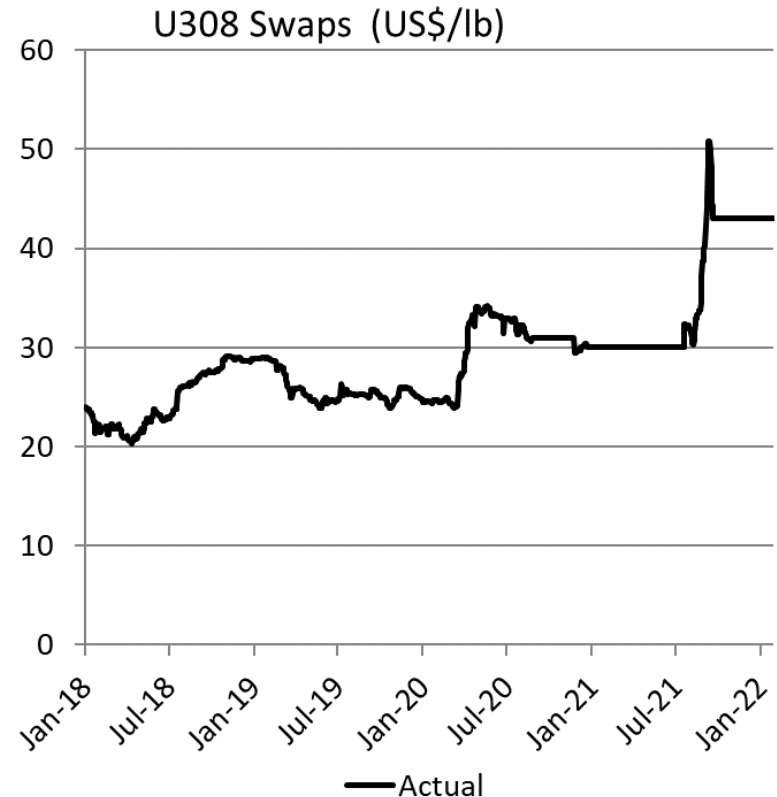
- Combination of supply and demand shocks unwinding
- Demand recovering at accelerated rate as economies return to normal, strengthening transportation demand
- Record supply curtailment by OPEC+ enabling rebalance
- Material supply underinvestment given decarbonisation overlay and uncertain medium term demand
- US shale no access to capital reduces only source of supply growth
- Supports tight market in near to medium term.



Uranium

Pricing support resulting from increased demand in physical product

- Bullish on the Uranium space for the long to medium term
- Sprott Physical Uranium Trust (SPUT) completely changing the market
- Spot market tightening, term contracts expected to follow
- Desire for carbon neutrality by 2050 is continuing to add pricing pressures as governments gravitate towards nuclear energy
- Yet to see fundamental demand from utilities impacting on pricing.



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