



# Tribeca Global Natural Resources Strategy

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Unearthed 2023

February 2023

Signatory of:



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Naturally occurring lithium brine project in Peru



## Electrification and Decarbonisation





## Structural Tailwinds from Decarbonisation



- Electrification is 4x Chinese urbanisation demand
- More than 300 new mines alone to meet EV and Energy Storage
- Battery metals supply chain highly vulnerable

## Fundamentals improved in 2022!



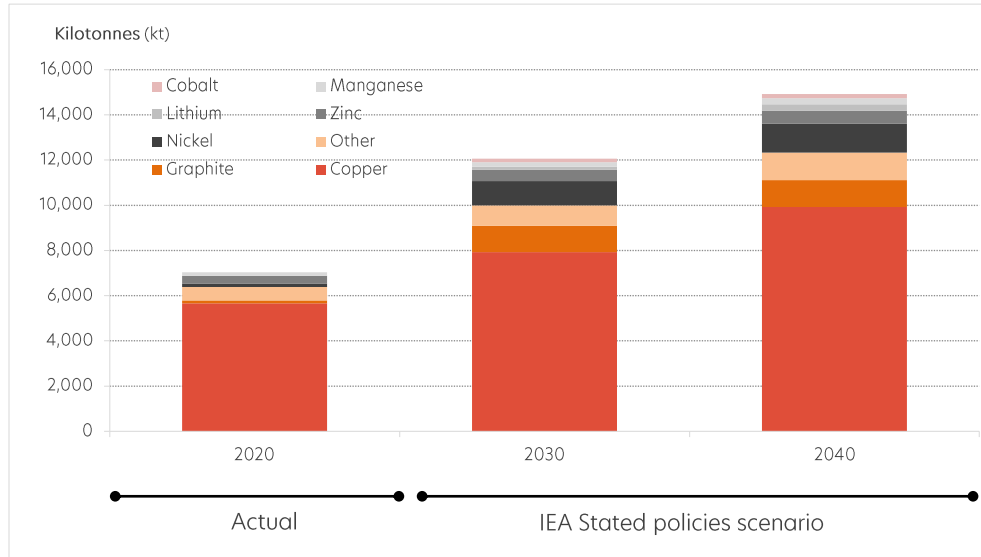
- Inventories remain tight and cost curves are rising
- Cost inflation leading to project delays and supply issues
- Backwardation a sign of physical tightness

## Investor positioning is supportive



- Positioning remains extremely bearish
- China policy impact could lead to material reversal of positioning
- Increasing M&A activity with valuations generally low

# Energy transition to drive demand for base and battery metals



## Minerals Usage Increasing

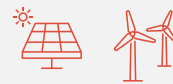
- Electric vehicles



- Battery storage



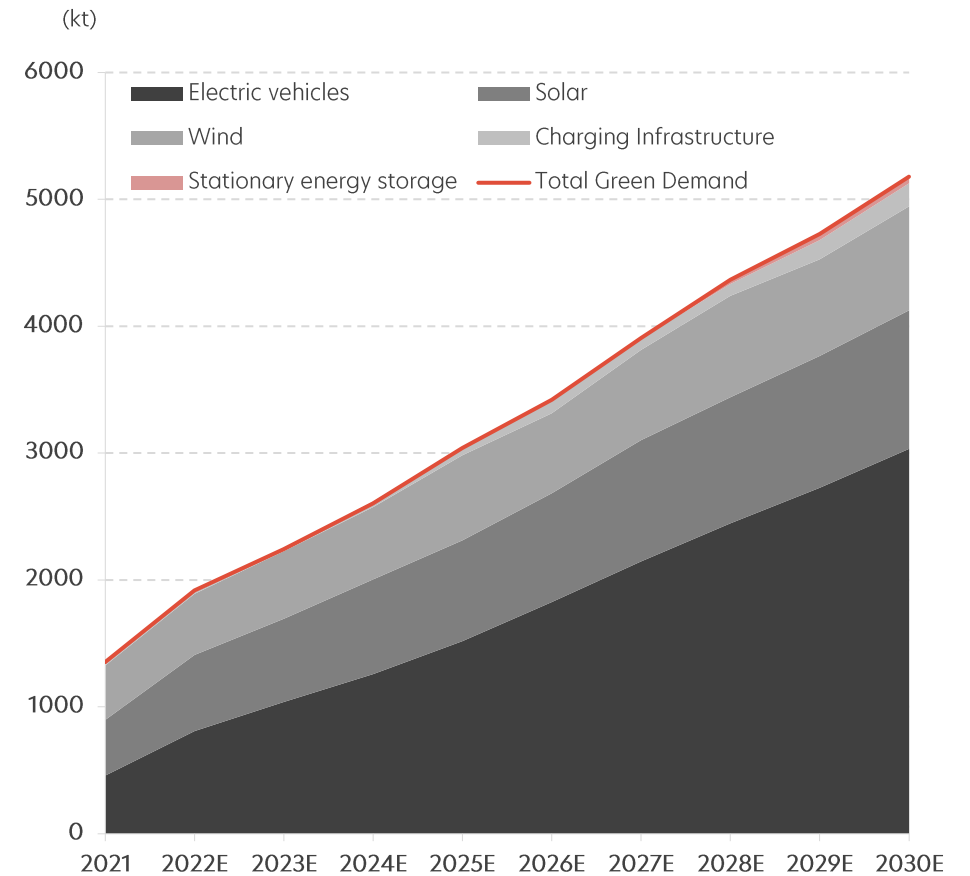
- Wind and solar power



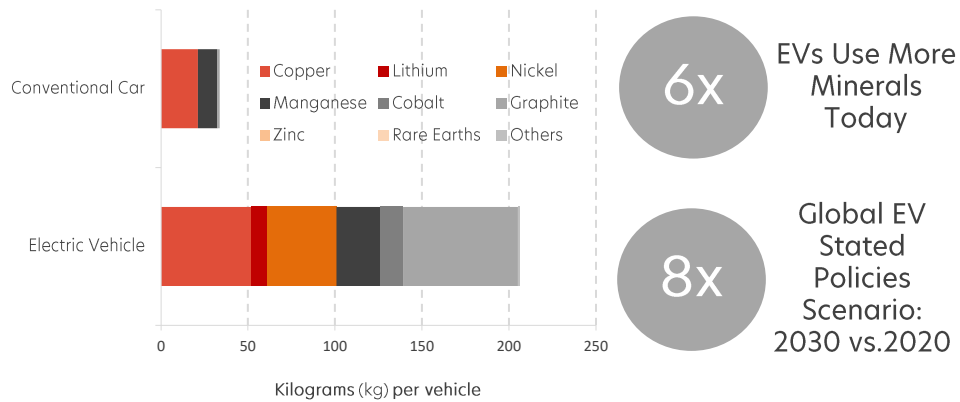
- Grid modernisation / stability



## Demand grows in the second half of the decade on the back of decarbonisation and green trends



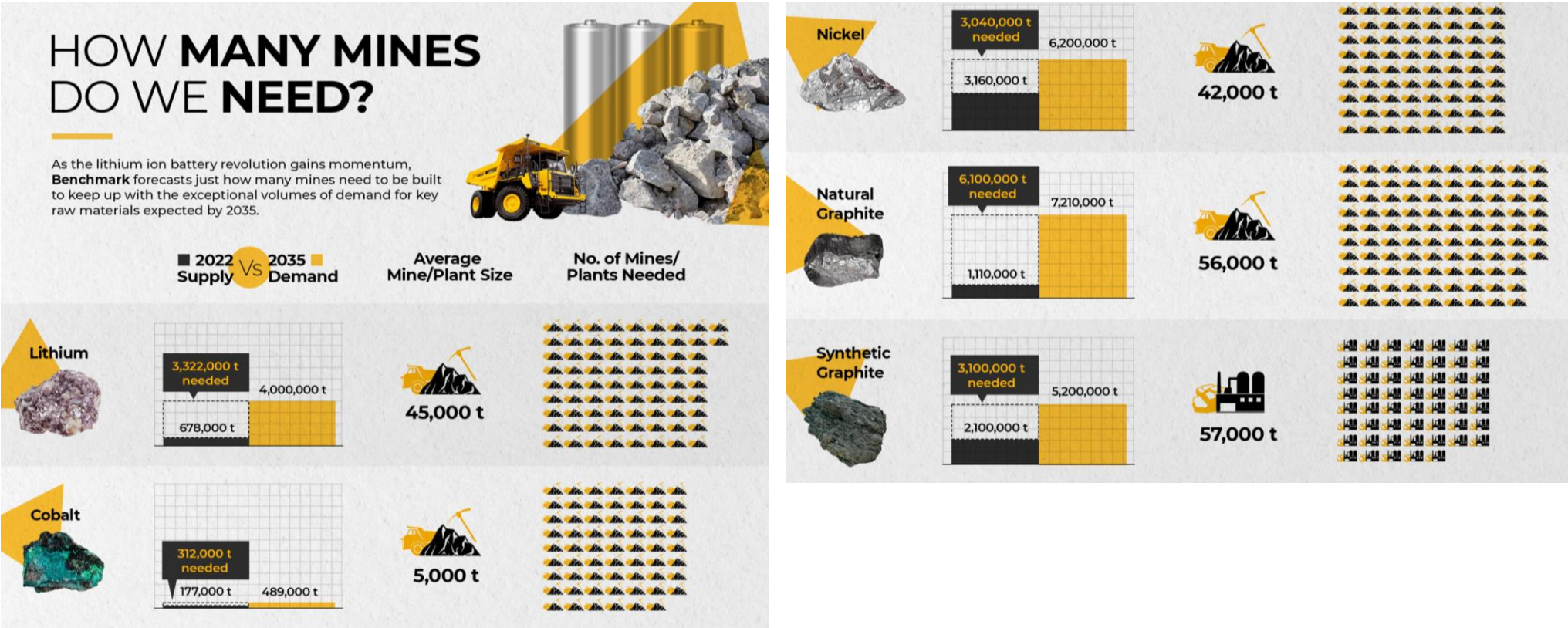
## Electric Vehicle Growth Accelerating Key Commodity Demand



Source: International Energy Agency (IEA) data based on the IEA Stated Policies Scenario, addendum dated March 2022; IEA (2021), The Role of Critical Minerals in Clean Energy Transitions, IEA, Paris; Goldman Sachs Global Investment Research

# The need to scale up production to meet the demand for electrification

- More than 300 new mines could need to be built over the next decade to meet the demand for electric vehicle and energy storage batteries, according to a Benchmark forecast.
- At least 384 new mines for graphite, lithium, nickel and cobalt are required to meet demand by 2035, based on average mine sizes in each industry.

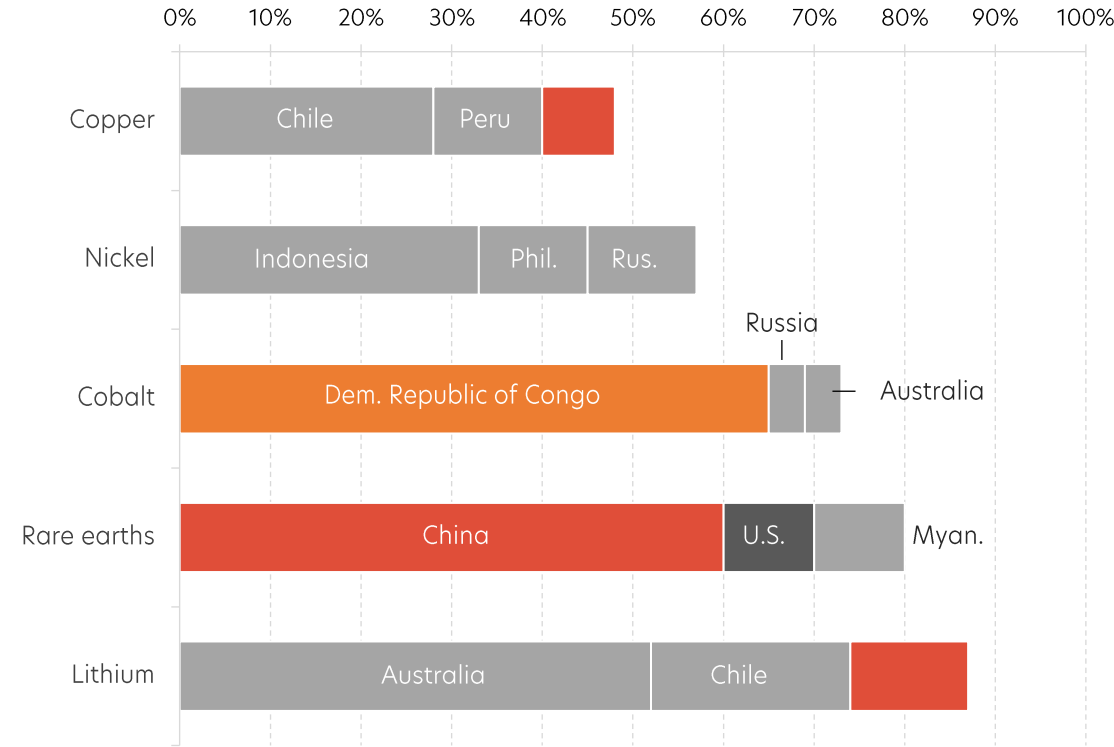


Source: United States Geological Survey (USGS), Benchmark Mineral Intelligence

# Battery metals highly vulnerable due to geographic concentration

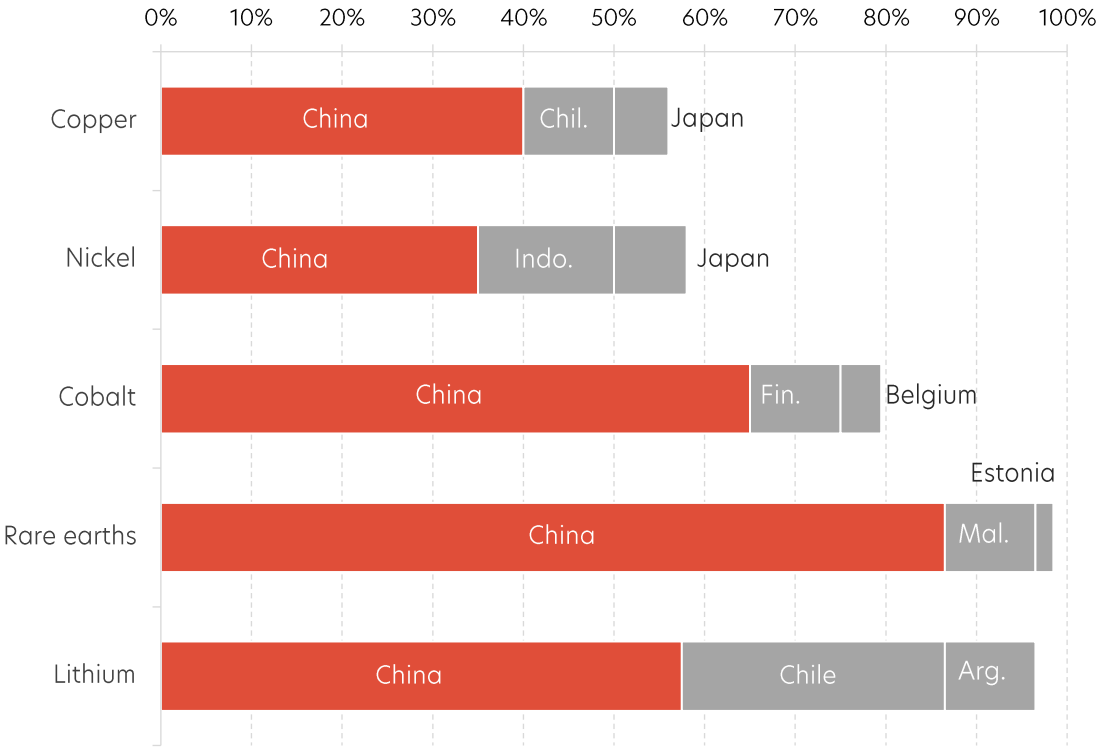
## Where Clean Energy Metals Are Produced

Production of key mineral resources is highly concentrated today. Charts show top three producers.



## And Where They Are Processed

China dominates the refining and processing of key metals

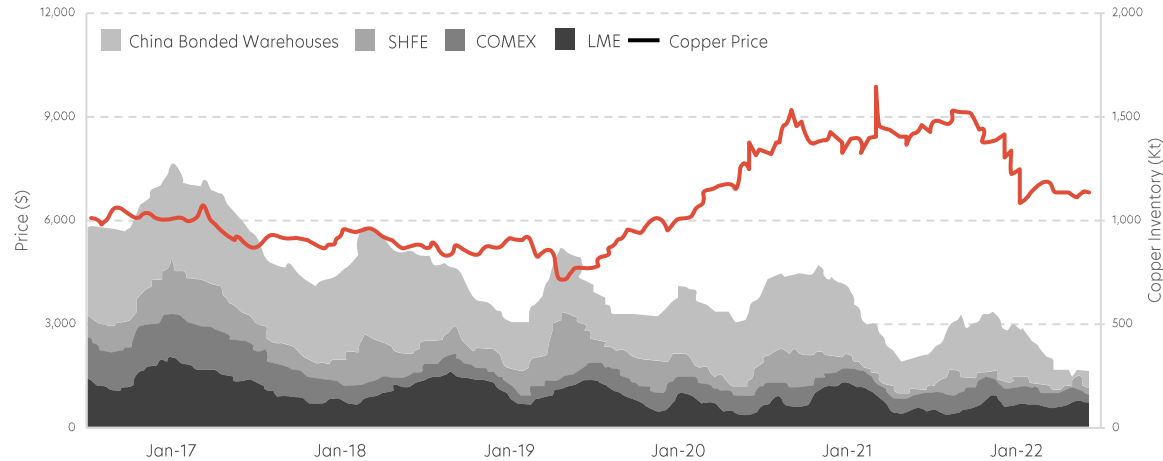


Source: International Energy Agency, New York Times

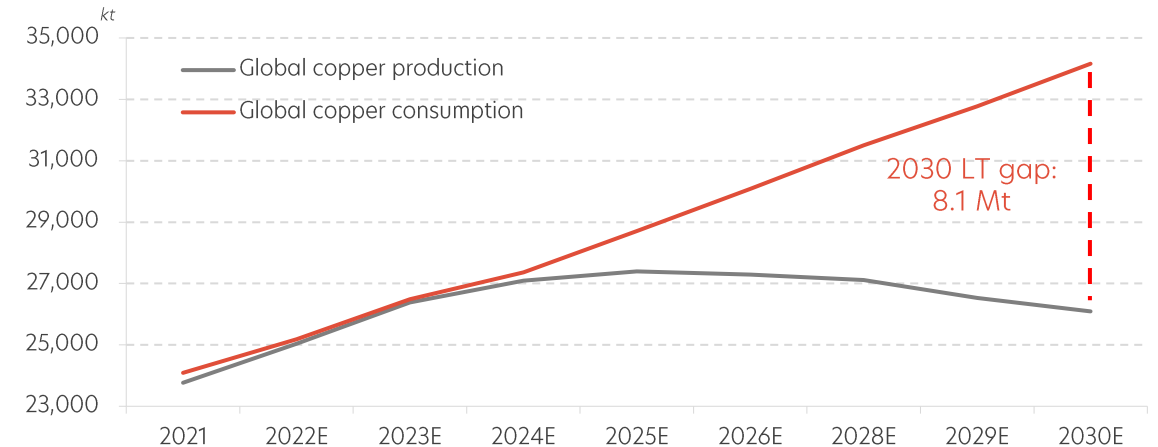


# Inventories are Tight and Deficits Widening

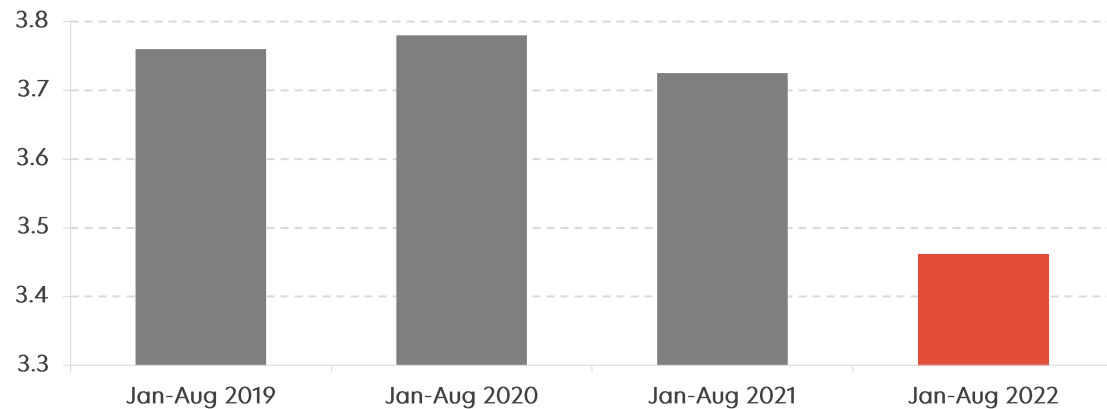
Copper Inventory (Kt, RHS) and Price (US\$/t, LHS)



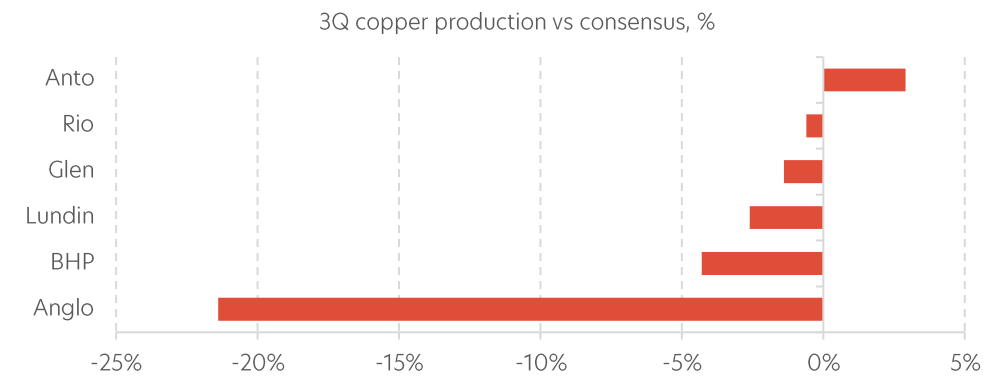
Long term supply gap remains unsolved, with widening mid term deficits



Chile Mined Copper Production (mt)



European miners missed production by c.5% for copper on average in 3Q vs. cons (equating to c.60kt)

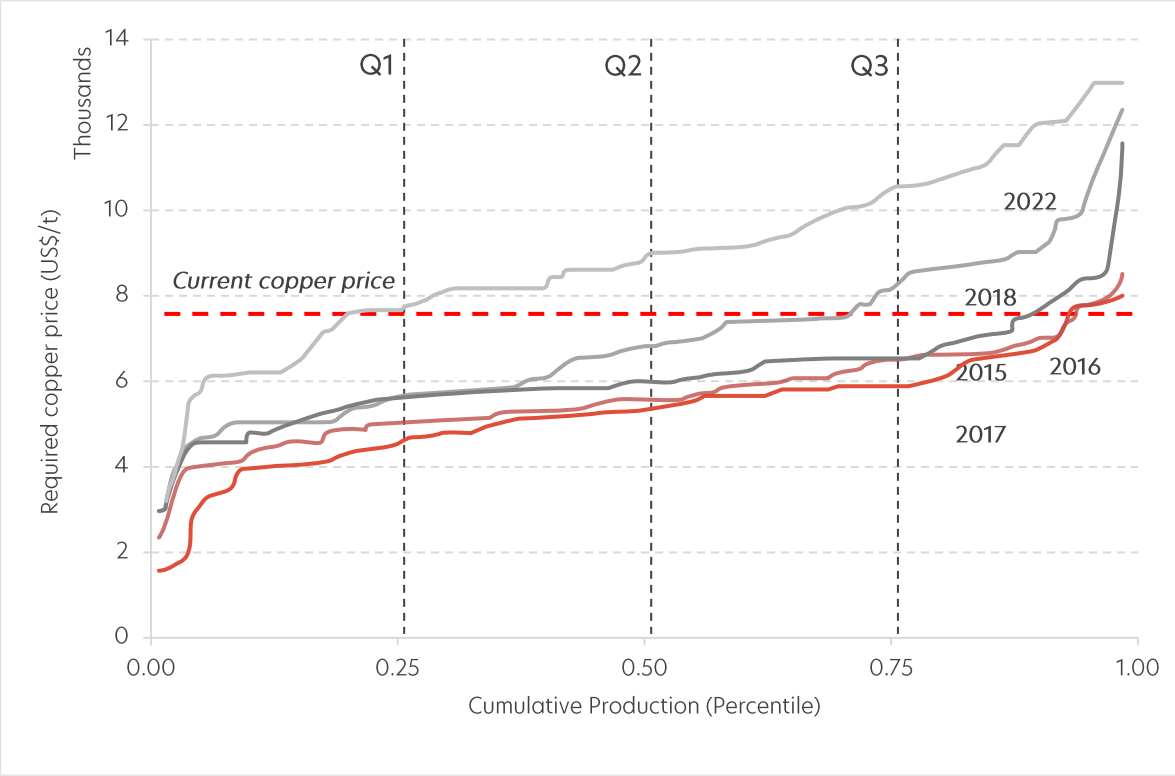


Source: Bloomberg, Jefferies

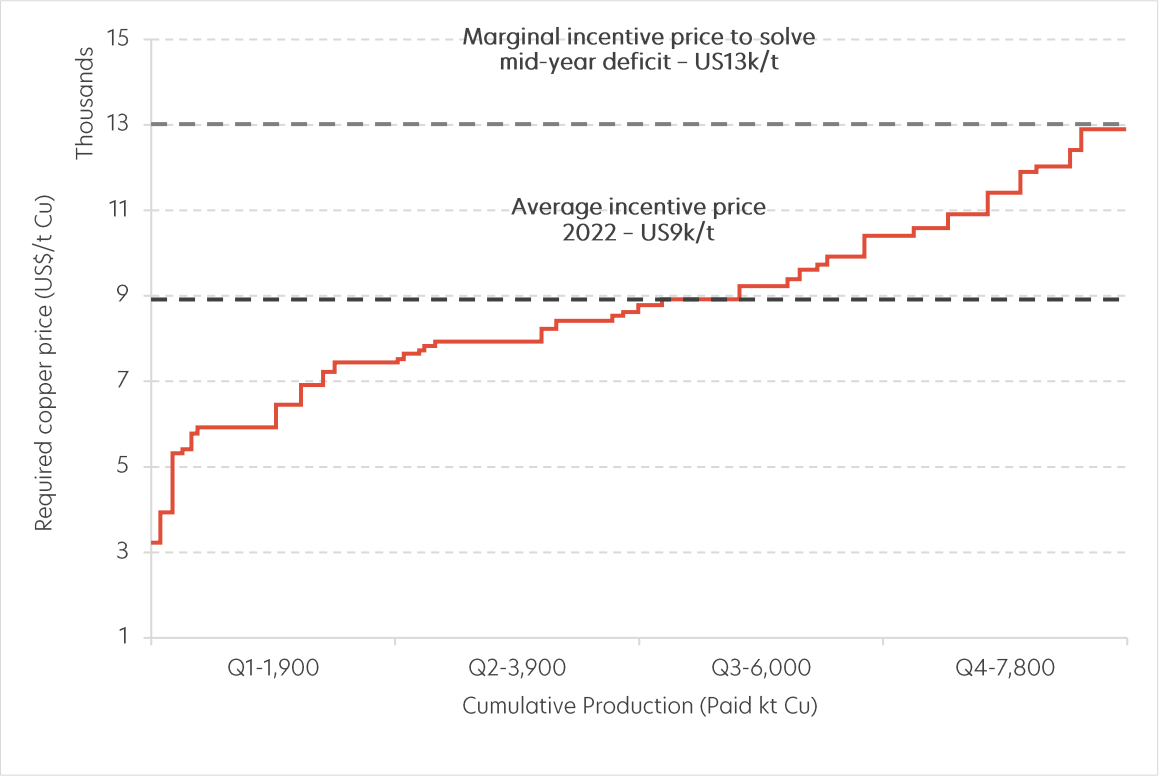
# Cost Curves are Increasing

The incentive price to bring new projects online has increased significantly.

Incentive price to bring new projects inline has increased significantly by 30% vs 2018.  
Cost curve 2022 vs previous years



Average incentive price of c. \$9k/t, with a marginal incentive price of \$13k to solve the deficit by end of this decade  
Cost curve 2022 (incl. sunk costs)

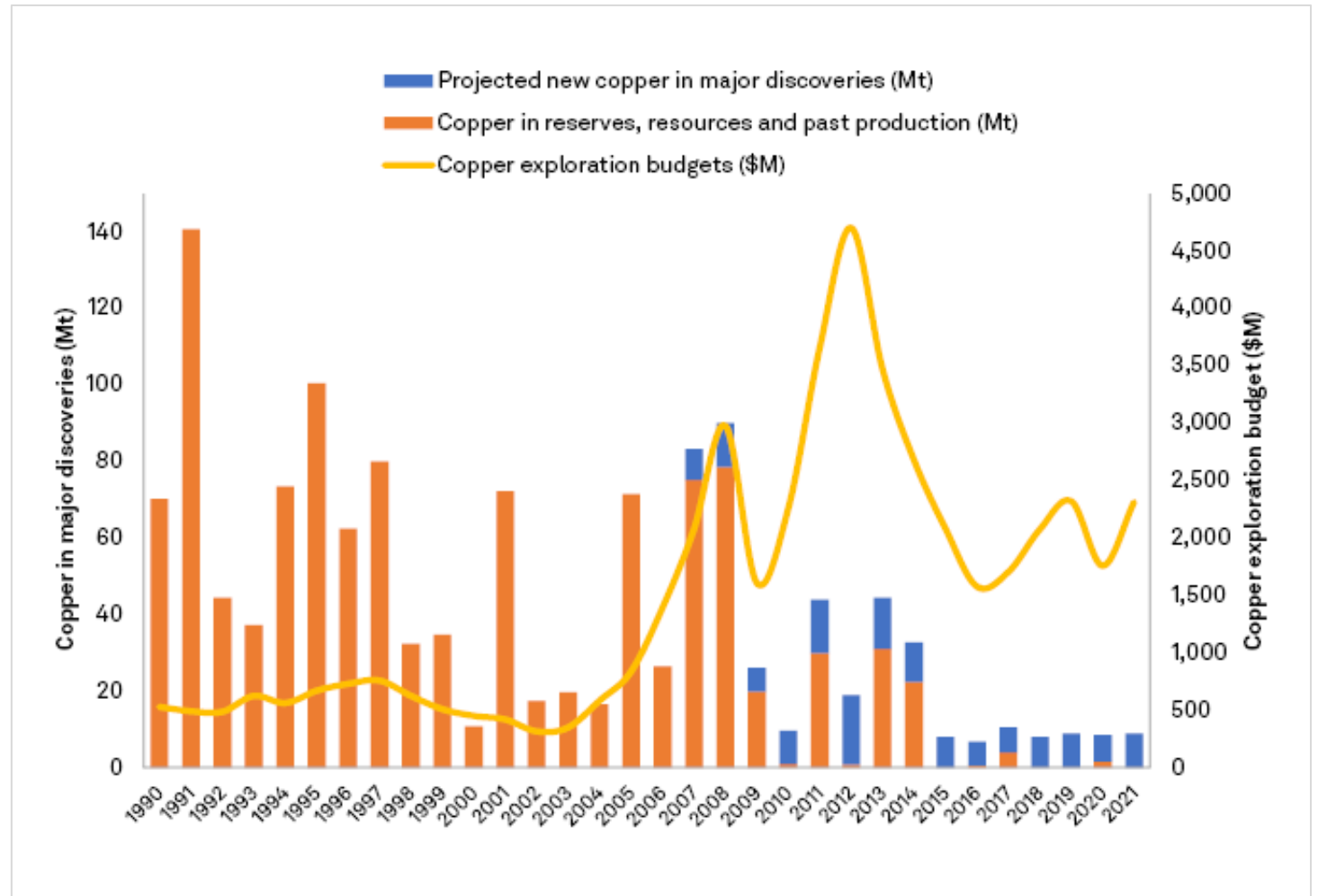


Source: Goldman Sachs Investment Research



# Major copper discovery drought continues

- Given that the declining discoveries trend is showing no signs of reversing, copper demand will nevertheless exceed production by 2025-2026.
- A significant amount of work will be required to advance the world's major deposits to production in the coming years.



Data as of 10 May 2022.

\*Annual average London Metal Exchange Copper Grade A cash price.

Source: S&P Global Market Intelligence



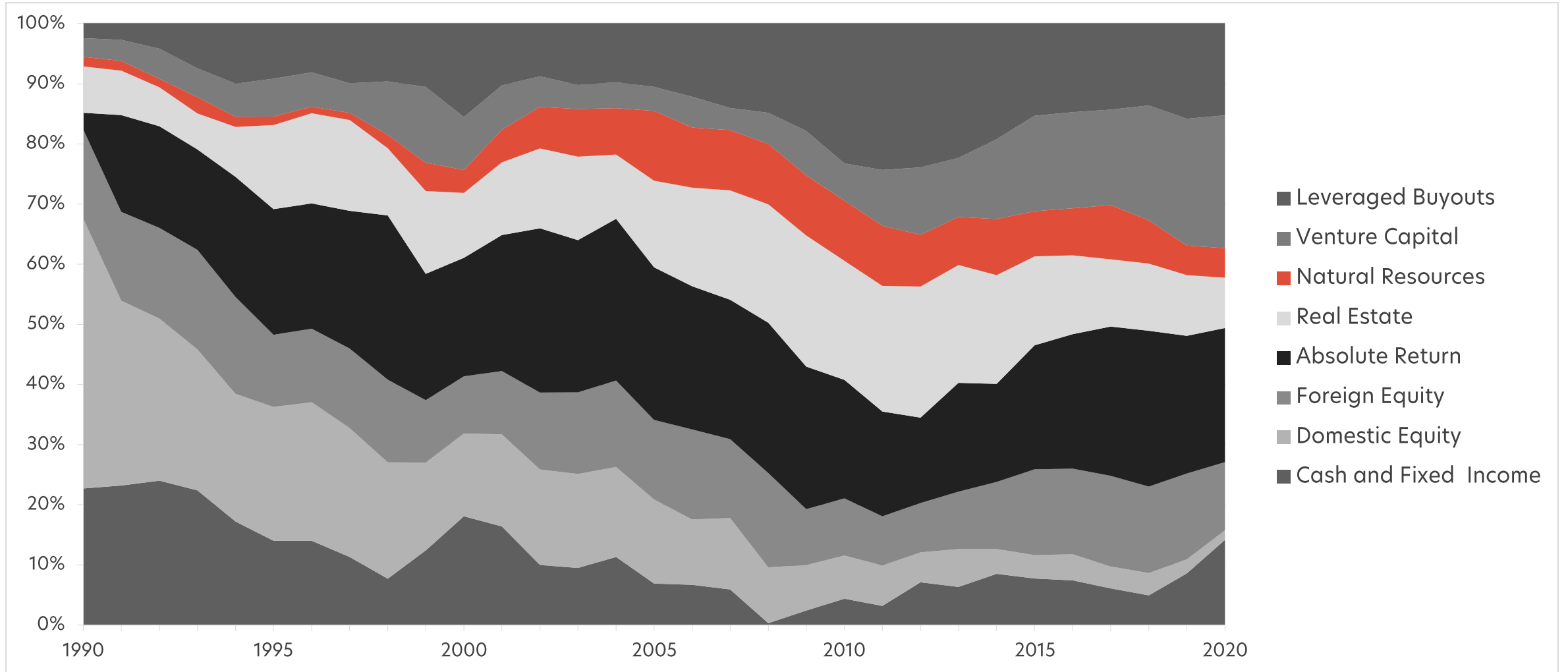
## Top 5 Technology vs Top 5 Mining Companies



Market Value at 5 January 2023  
Source: Bloomberg



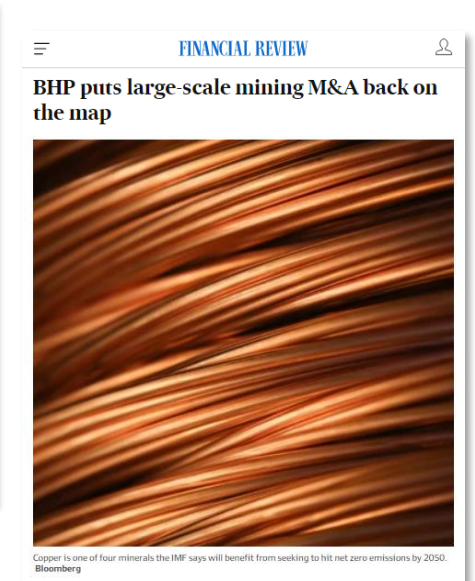
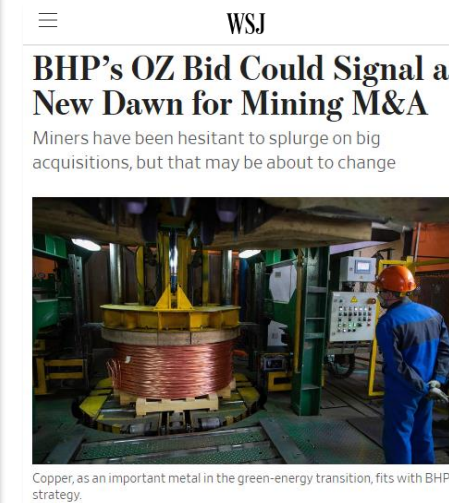
# Institutional ownership at multi-decade lows



Source: Yale Investment Office

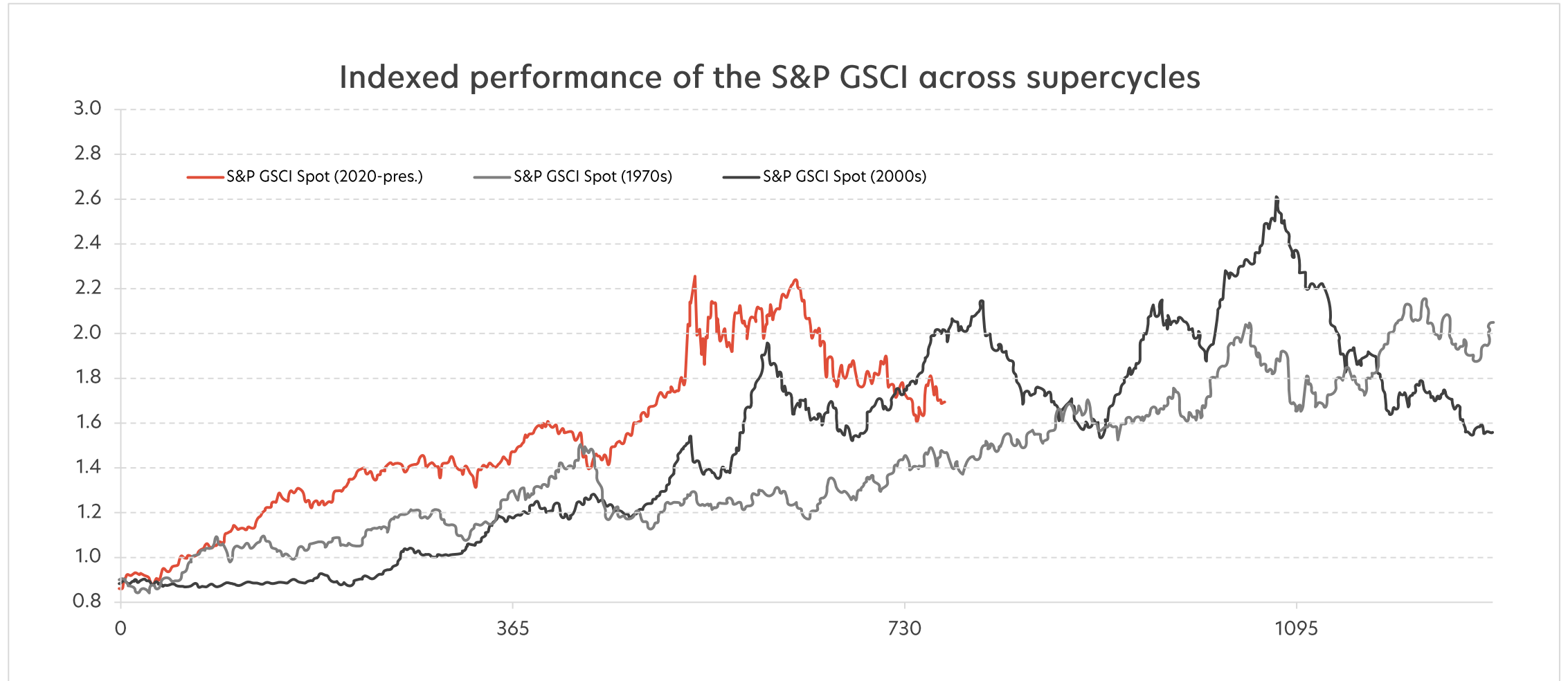
# M&A Activity Starting to Play Out: Corporates Recognising Value

- For natural resources equities, there is an upside scenario in the form of M&A, which has historically driven market multiples across the sector higher.
- The mining sector more concentrated than 20 years ago which suggests higher multiples will need to be paid to gain control of assets.
- It is entirely logical and realistic that companies like Tesla will end up owning large stakes in mining companies in order to secure long-term offtake.
- Healthy balance sheets and cash generation remains robust.
- Given the ongoing challenges for the industry it remains cheaper and easier to buy rather than build.





# Supercycles are a series of price hikes, not a smooth trend higher



Source: Bloomberg, Goldman Sachs Global Investment Research



# Tribeca

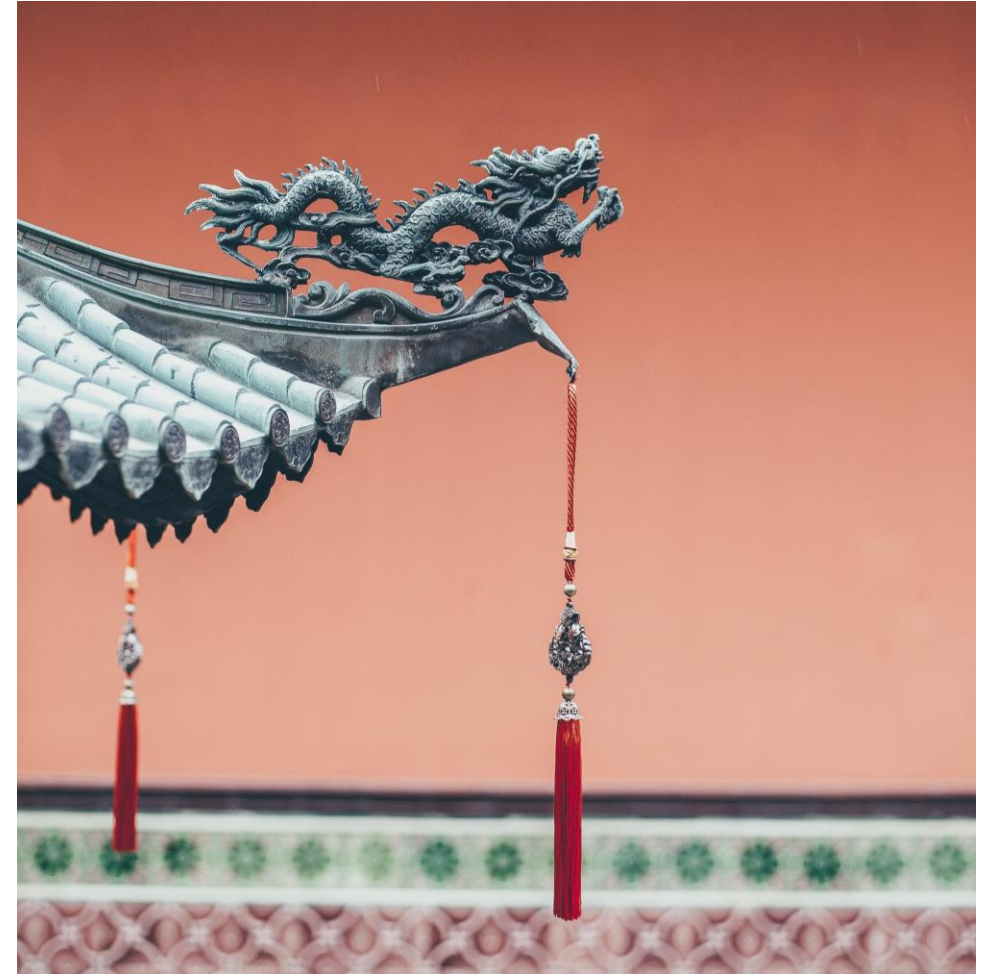
Global Natural Resources

An aerial night photograph of a large container port. Several large gantry cranes are positioned along the waterfront, with their lights illuminating the scene. In the foreground, numerous stacks of intermodal containers are visible, many of which are branded with the Maersk logo. In the background, a city skyline is visible across the water, with lights reflecting on the surface. The sky is dark with some clouds.

2023 Year-to-Date Summary



- “US recession fears, inflation and yields have peaked” helping markets YTD.
- Faster-than-expected China reopening helping commodities.
- Stronger-than-expected Chinese property support to drive material GDP growth in 2H23.
- PMIs across Emerging Markets and Europe are starting to recover.
- Valuations have plenty of room to move – remember, electrification is 4x Chinese urbanisation demand.





# As Gundlach said last week, trust the bond market not the FED!

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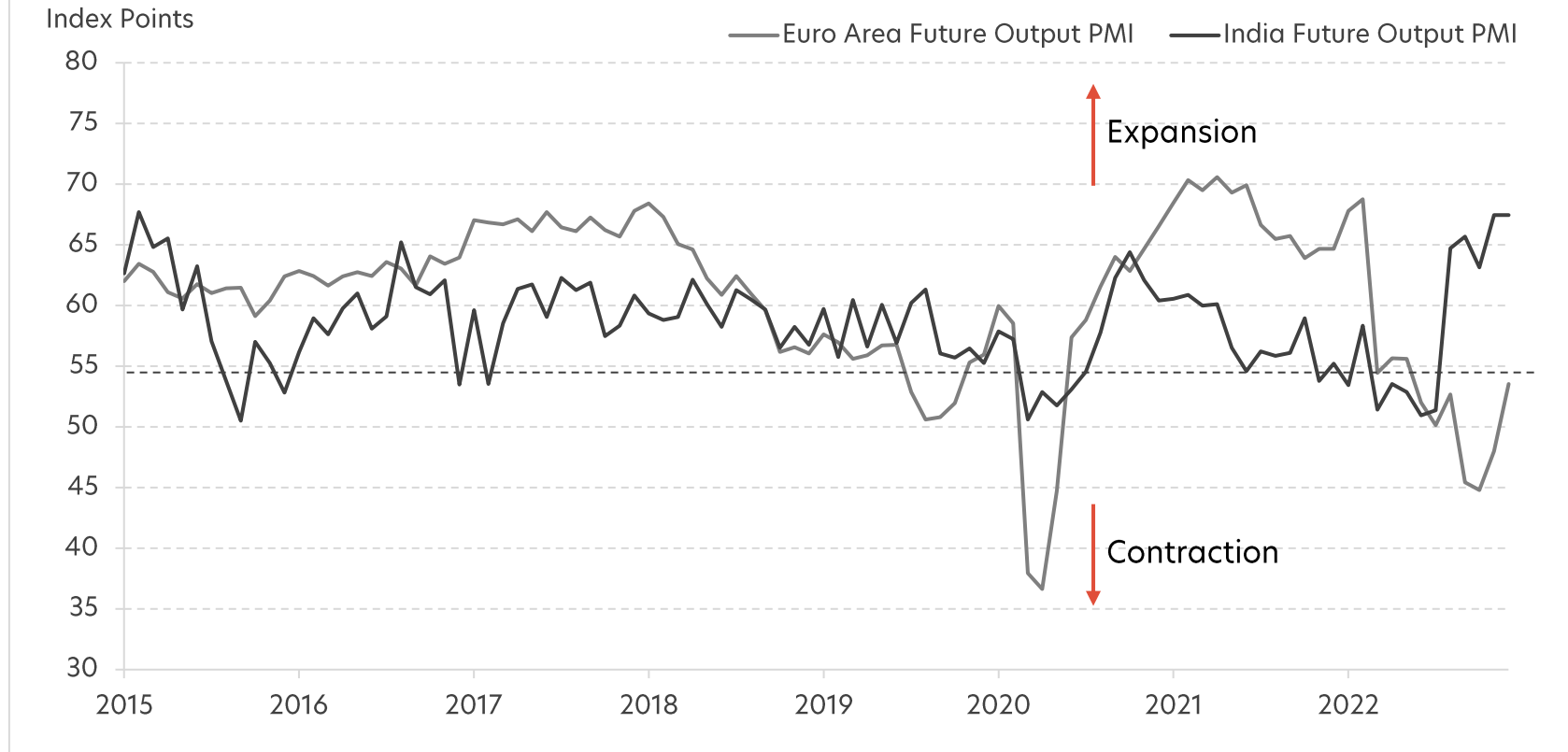
Markets

## Gundlach Says Listen to Bond Market Rather Than Fed on Rates

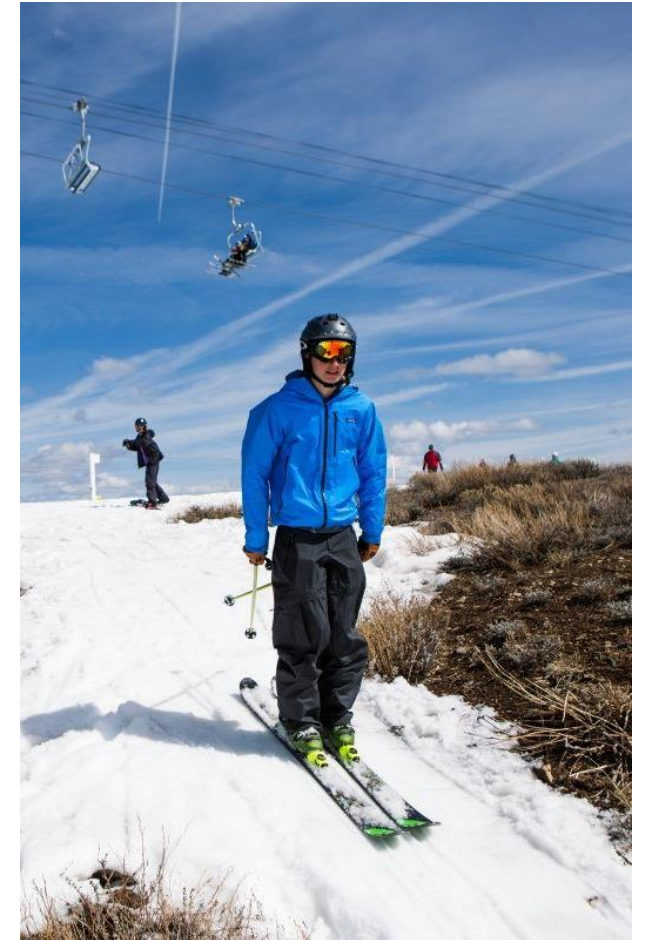


# Europe got lucky with a warm winter, averted energy crisis, activity expanding

## Both European and EM PMIs are expanding into 2023



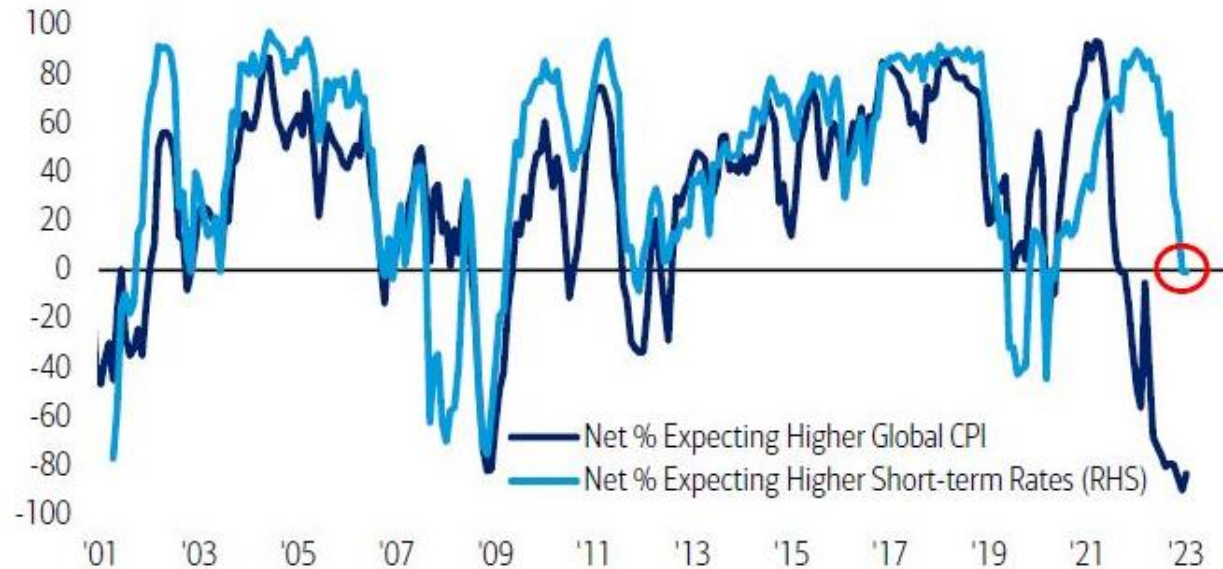
Source: Haver, Goldman Sachs Global Investment Research



# Inflation has peaked but commodity prices have not!

'Peak inflation' pushing-up expectations for lower short-term rates in 12m

Net % expecting higher global CPI vs Net % expecting higher short-term rates



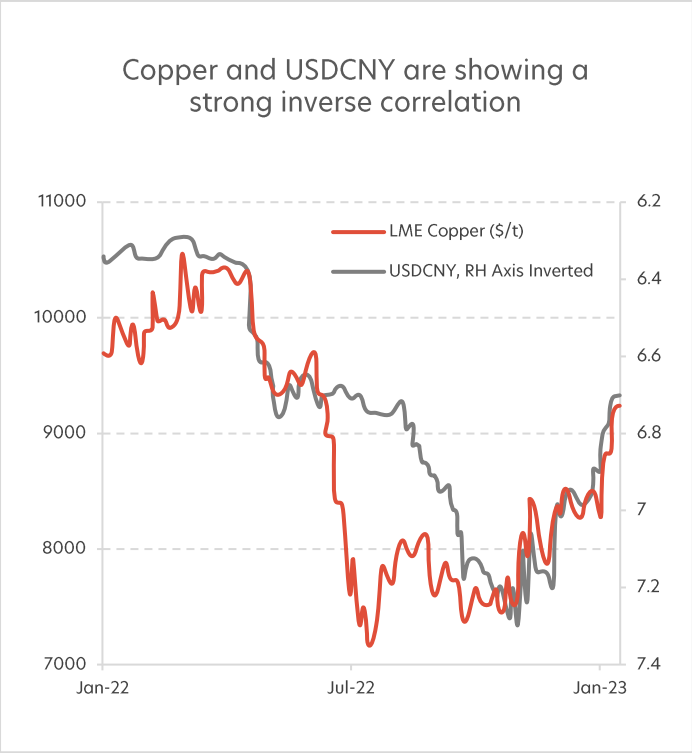
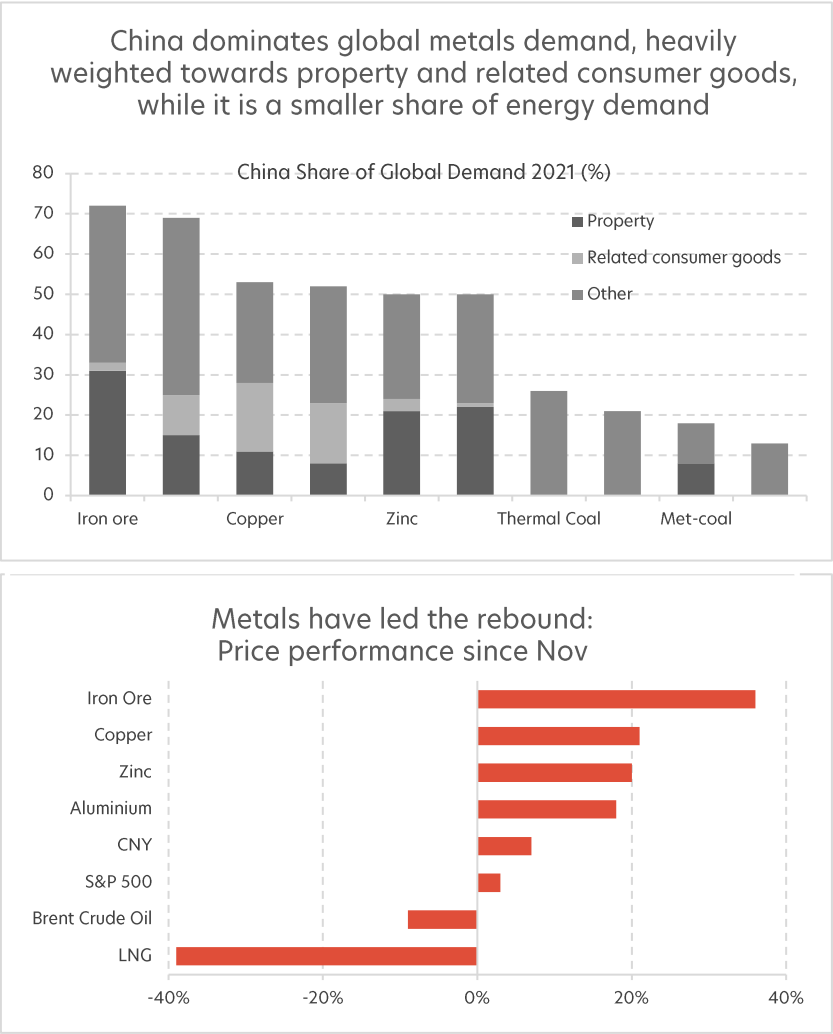
Source: BofA Global Fund Manager Survey.

BofA GLOBAL RESEARCH

- Inflation expectations 'peaked' last month and have since rolled over but still 83% of FMS investors see higher global CPI in 12 months, down from 90% in December 2022 (record high).
- 'Peak inflation' is driving-up expectations for lower short-term rates. Net % FMS investors saying short-term rates will be lower in 12m remained stable in Jan 2023 at ~1%.

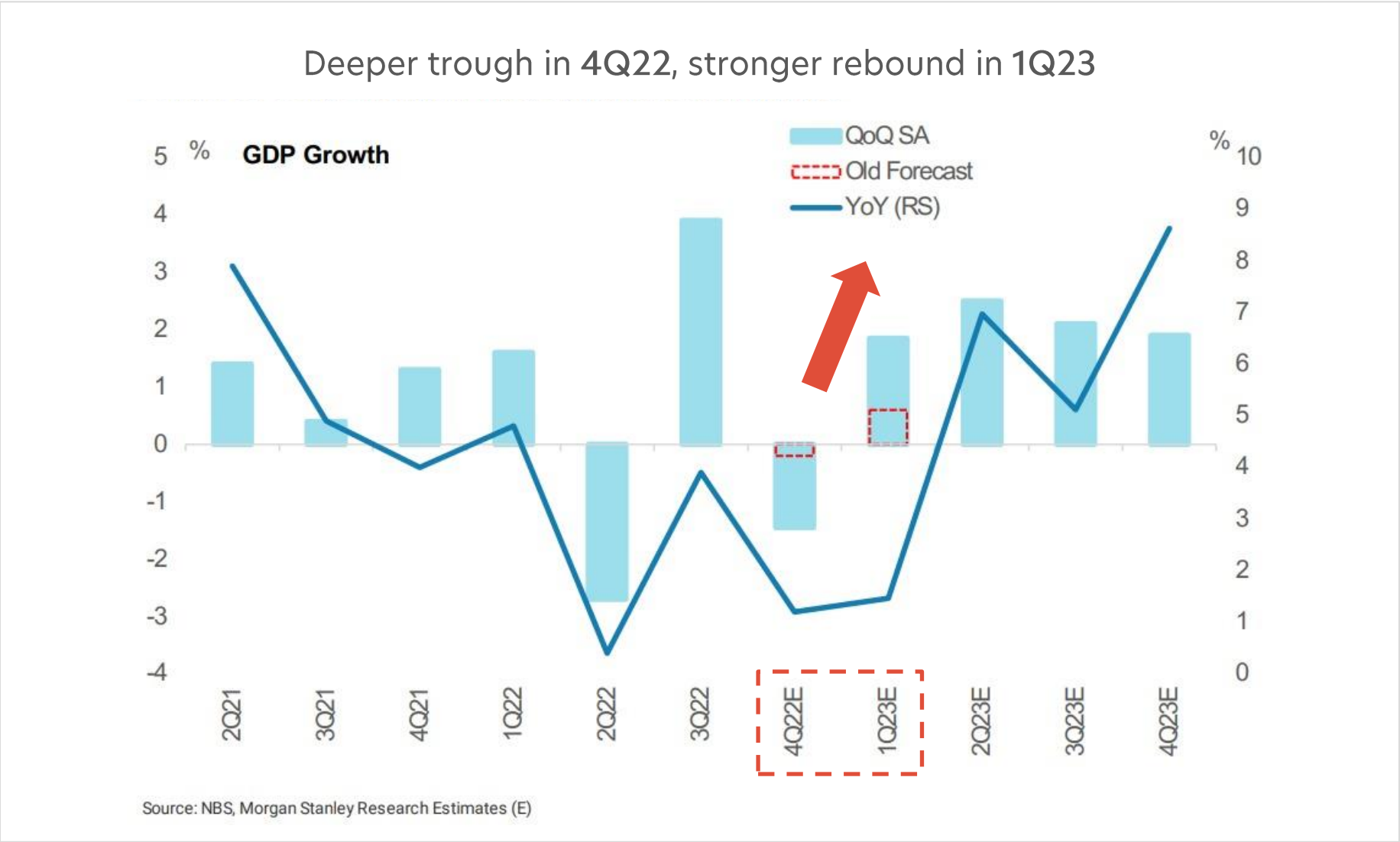


# China Re-open Trade - Great for Commodities and Producer Equities



Source: (1) ICA, IAI, ILZSG, WSA, Nickel Institute, IEA, Morgan Stanley Research; (2) Bloomberg; (3) Bloomberg

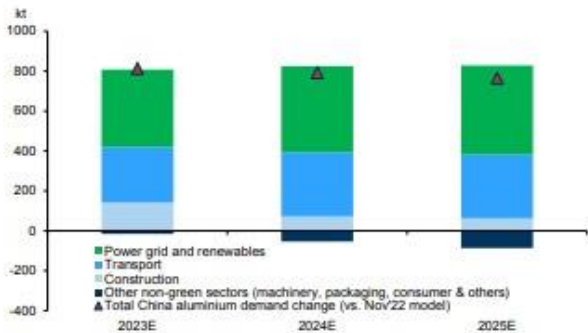
# Could be +10% GDP Growth in 2H23



# Aluminium is a prime re-open trade and electrification tailwind

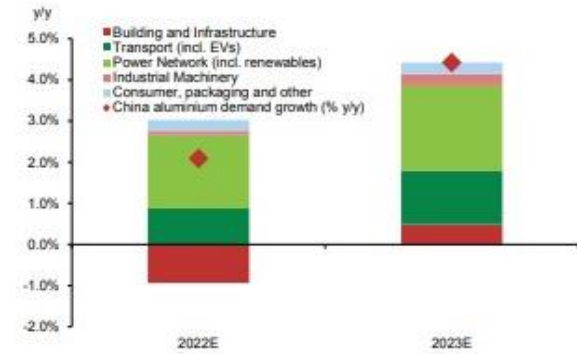
Demand estimates for autos, renewables and construction channels

Chinese demand change (Jan'23 - Nov'22 model)

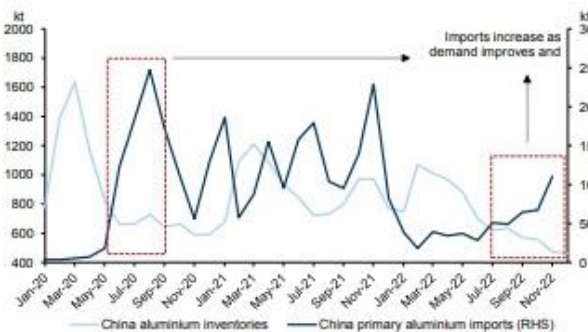


China demand to grow strongly as property drag disappears and green demand continues to surge

Based on GS global aluminium demand model - Jan'23

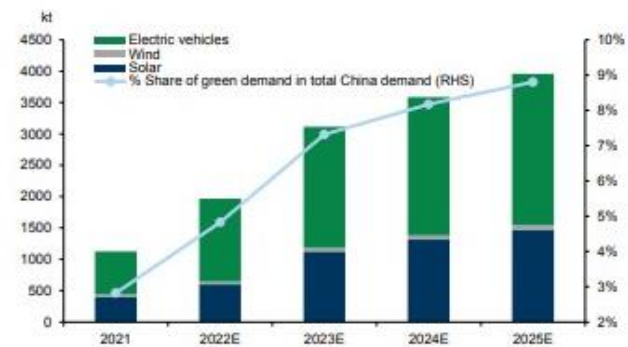


Stronger China demand and delayed smelter restart to offer greater support for metal imports in 2023



China's renewables plans can boost green aluminium demand

Based on GS Global Aluminium Green Demand Model

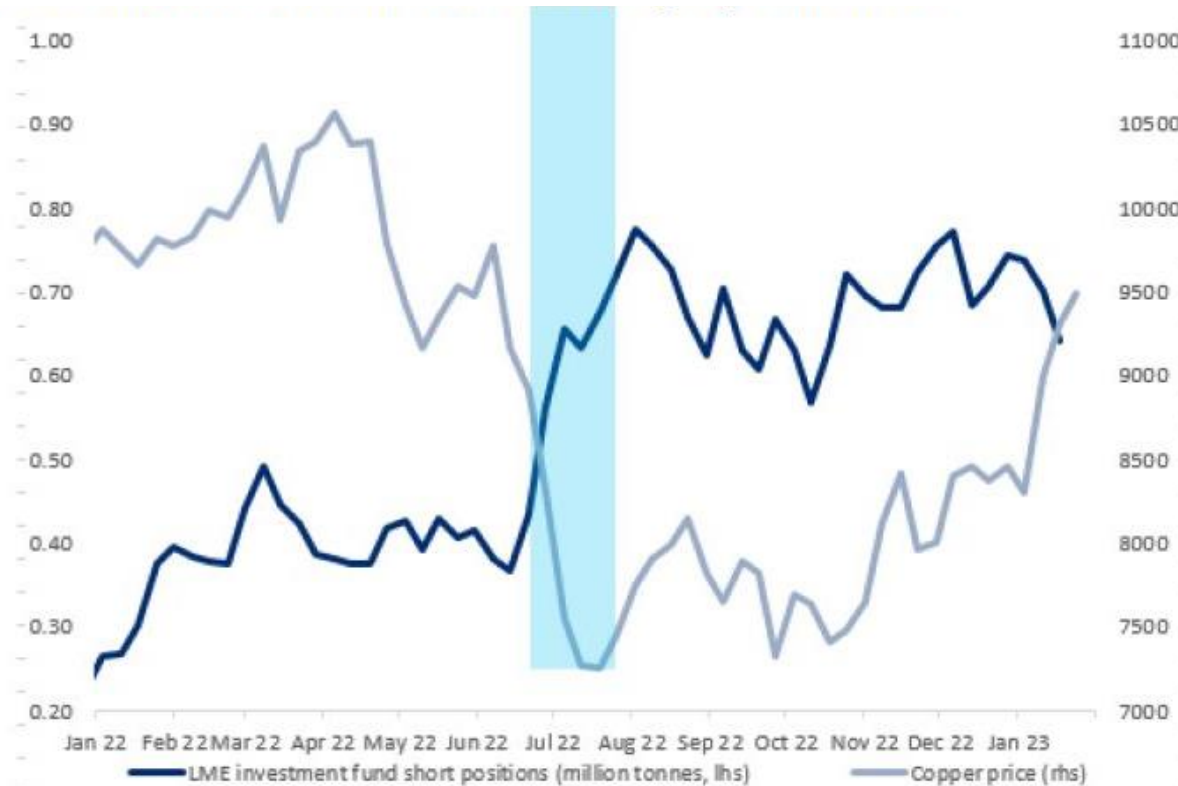


Source: Goldman Sachs Global Investment Research, Wind, BNEF, IRENA, IEA



# Positioning is still light and short squeeze potential remains high

A very large amount of LME investment short positions are under pressure here and could fuel a move to \$10,000/t over the coming days and weeks



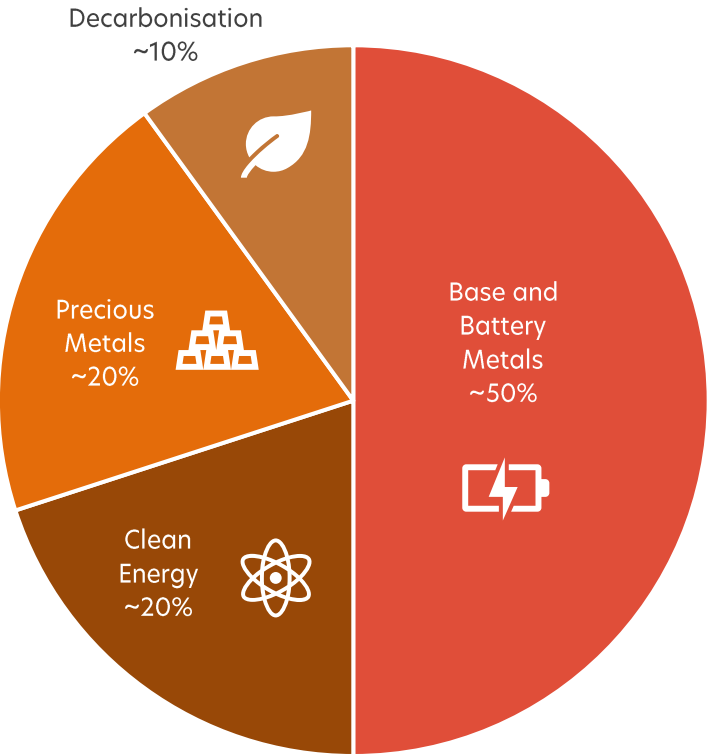
Source: Citi Research, Bloomberg

Tribeca Global Natural Resources Strategy

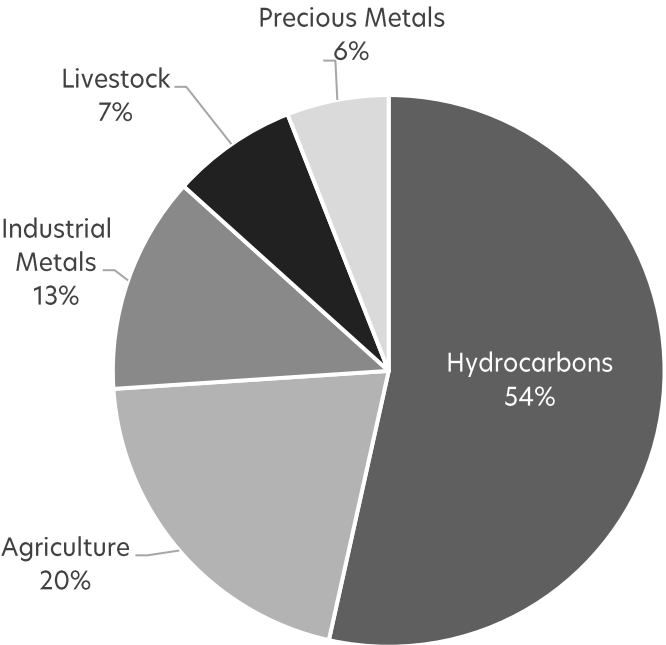
# Tribeca Portfolio Provides Risk Controlled Exposure to Structural Themes

Tribeca portfolio provides investors with diversified and risk-controlled exposure to structural themes compared to indices and single sector names.

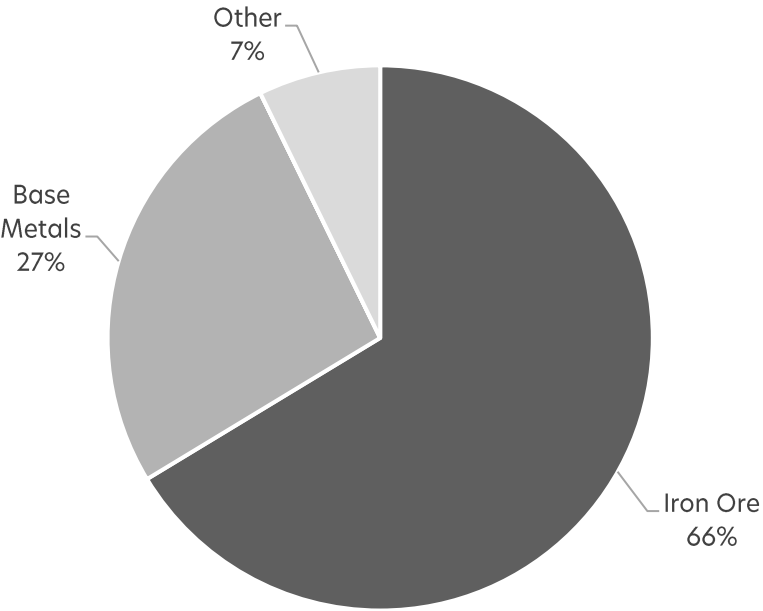
Tribeca Global Natural Resources  
Strategy Sector Weights



S&P GSCI Index Percentage Sector Weights



RIO Tinto EBITDA Breakdown FY22



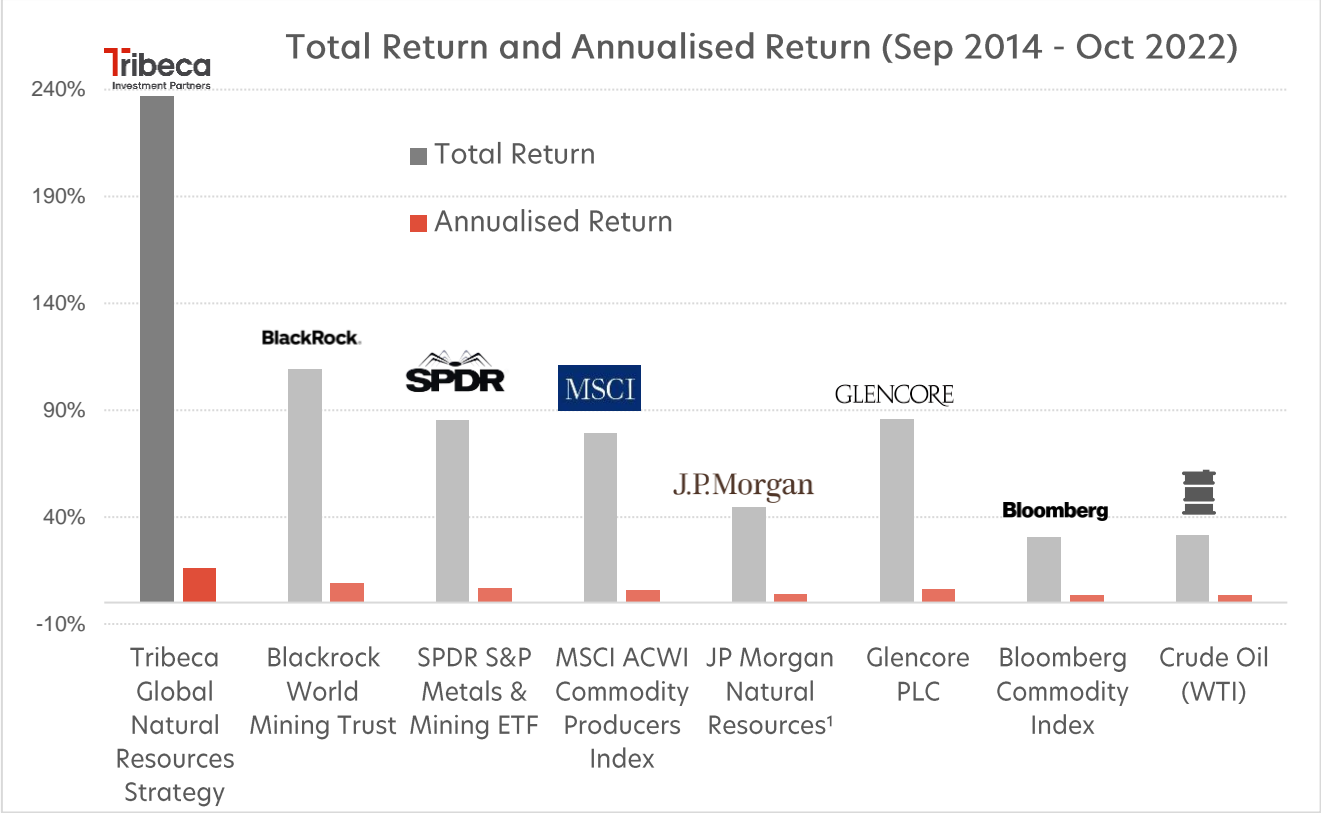
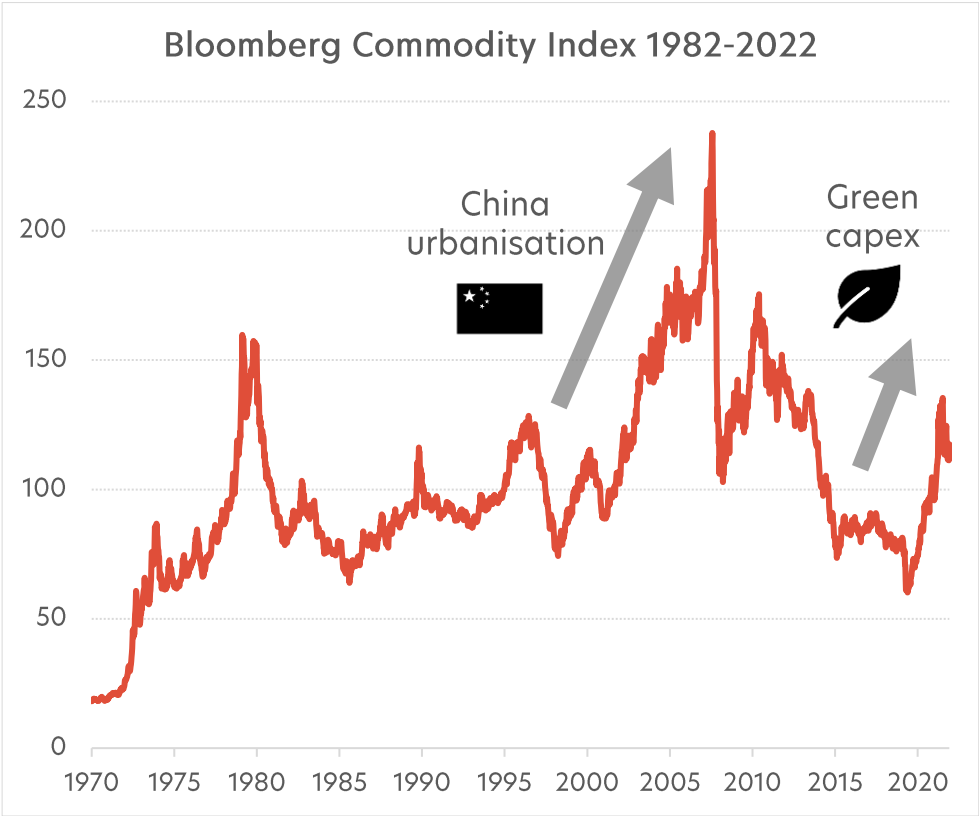


# Barbell implementation provides investors with diversified exposure



# Outperformance Over Passive Strategies

- Our core belief is that through the cycle, our actively managed, long short approach to the sector will generate superior risk adjusted returns versus indices, ETFs, commodities and long only equity strategies.
- Should commodity prices appreciate above long term averages then our strategy should perform particularly well.



Source: Tribeca Investment Partners, Bloomberg, JP Morgan Fund Services  
Note: The strategy was initially managed as a managed account by Cleary Capital Pty Ltd from September 2014 to October 2015. The performance of the managed account was not independently audited. Performance from October 2015 onwards is for the Tribeca Global Natural Resources Fund AUD Unit Trust Class A shares and are net of all performance fees and reflect the reinvestment of dividends and other income.



“You mean I get to own the world’s best natural resources companies at 80¢ in the dollar?”





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Global Natural Resources

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