



2020 Global Investment Series

“Looking through the pandemic”

August 2020



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Global Resources Session

Thursday 13th August 2020



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Global Resources Fund

Today's presenters



Luke Smith

Portfolio Manager, Global Resources

Luke is the Co-Portfolio Ausbil Global Resources Fund and an Equities Analyst at Ausbil covering natural resources. Luke joined Ausbil in 2014, and has been in the industry since 1998, gaining experience in the resources sector, both at a corporate level and as an equity analyst in financial services. Most recently, Luke was a highly rated Director, Senior Energy Analyst at Commonwealth Bank Institutional Equities. He also worked as a Commercial Mining Analyst with IndiEnergy, an Oil and Gas Analyst with ABN Amro and a Corporate Finance Analyst with Woodside Petroleum. Luke holds a Bachelor of Science degree.



James Stewart

Portfolio Manager, Global Resources

James is the Co-Portfolio Ausbil Global Resources Fund and an Equities Analyst at Ausbil covering natural resources. James joined Ausbil in 2017, and has been in the industry since 2001, gaining experience in resources and commodities experience to the Ausbil team. James' experience spans global resources. Most recently James was the mining specialist with Regal Funds Management, a leading Australian long/short fund. Prior to this, James was responsible for regional resources coverage for UBS in Singapore, and worked with CLSA. James holds Bachelor of Engineering (Mechanical Engineering) and Bachelor of Commerce degrees, a Graduate Diploma in Applied Finance (Finsia), a Graduate Certificate in Mining Engineering, and is a CFA Charterholder.



Introduction to the Ausbil Global Resources Fund



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Fund Introduction

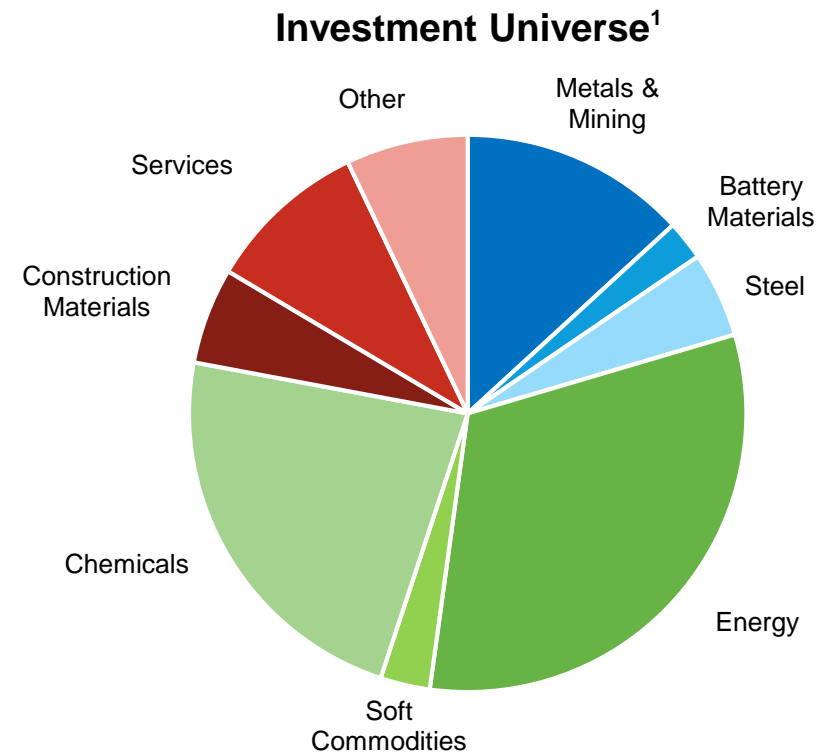
Natural Resources with an absolute return overlay

- The Ausbil Global Resources Fund (The Fund) invests in **global natural resources and associated industries**.
- The Fund applies a **Long/Short approach** to manage risk, with the aim of generating positive absolute returns through the cycle.
- The Fund applies the same **top-down and bottom-up approach** successfully applied by Ausbil for over 20 years.
- The global approach allows the portfolio managers to access the highest quality long and short opportunities from around the world, **expanding both the investment universe and ability to manage risk**.
- The absolute return overlay offers **incremental alpha generation opportunities** not available to traditional long-only natural resources investors.
- The Fund's **total return target is 10-15% pa**, over a rolling **five-year period** before fees and taxes.

Investment universe

Broad investment universe to invest through the cycle

- Investment universe includes:
 - Materials: metals & mining, battery materials, steel
 - Energy
 - Soft commodities
 - Construction materials
 - Related services and infrastructure
- **~4000 listed companies with equity market capitalisation >USD9 trillion**
- **Investment sweet spot:** global small to mid cap resources companies
- Broad universe allows for flexible sector allocation to capture most compelling commodity and sub-sector dynamics
- No direct commodity exposure





Why allocate to Global Resources?



Why Invest in Resources?

Material opportunity to capture alpha on growth recovery

- The Fund has a **long-bias**, currently targeting China dominated commodities likely to benefit from global “bazooka” style stimulus while actively managing risk to protect capital
 - **Positive medium-term supply/demand balance dynamics** across most commodities. Demand is increasing, supply is constrained
 - **Consistent theme of underinvestment** in new production across most commodities. Mining companies have not been investing in new projects
 - **Supply shocks show how tight the market fundamentals are** Iron Ore in 2019 and 2020, Copper in 2020 have seen supply constraints, and commodity prices have rallied quickly and aggressively
 - **Valuations unchallenged** currently sitting significantly below historical averages
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Why Resources?

Demand recovery accelerating with stimulus

- **Chinese metals demand recovered** with increasing strength - **stimulus** supports commodity demand
 - **Ex-China demand recovering** (albeit slowly) post Covid related lockdowns
 - **Fiscal and monetary stimulus** likely to further support commodities demand
 - **Inflationary expectations** and **weak USD** supportive for commodities demand
 - Significant Covid related **supply shocks** in key commodity supply nations
 - **Growth recovery post Covid-19** should see recovery in demand in disrupted supply chains offering a **material opportunity to generate alpha in resources**
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Performance

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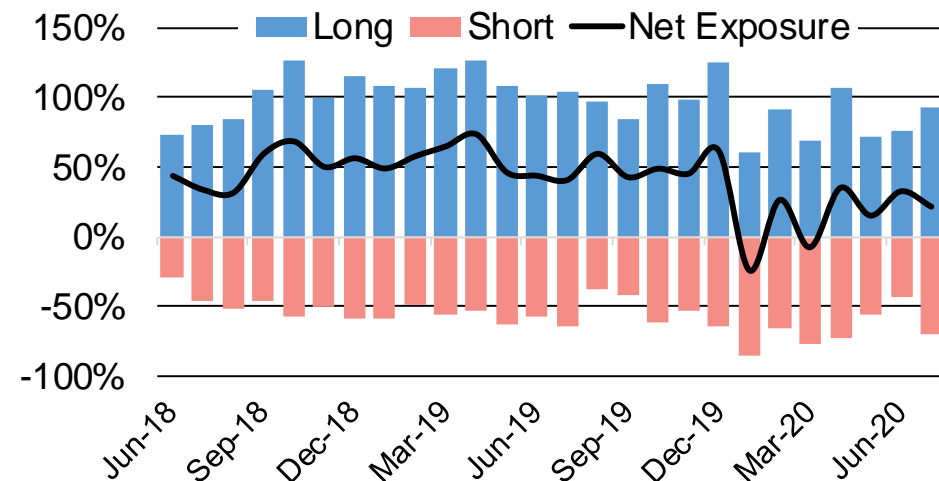
Fund Performance

Strong absolute performance through volatile markets

Performance to 31 July 2020 ¹	1 Month %	3 Months %	6 Months %	1 year %	2 year p.a. %	Since Inception ² p.a. %
Fund return (net of fees)	4.3	11.9	3.6	3.6	3.7	3.5
AusBond Bank Bill Index ³	0.0	0.0	0.3	0.7	1.3	1.4
MSCI Natural Resources Index ⁴	1.6	2.5	-14.6	-14.8	-7.2	-5.8
MSCI Global Energy ⁵	-7.3	-13.0	-37.6	-41.8	-27.9	-24.6

Market exposure

- Net exposure has ranged from circa -40% to 85% since inception
- Actively managed around market conditions and corporate activity
- Conservative positioning through 2020
- We employ hedging and options strategies for portfolio protection and risk management



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. As at 31 July 2020.

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 Natural Resources (TR) Index in AUD. 5. MSCI World Energy Sector Index in AUD.

Fund Performance

Protect capital while capturing majority of upside

Ausbil Global Resources Fund - Market Capture

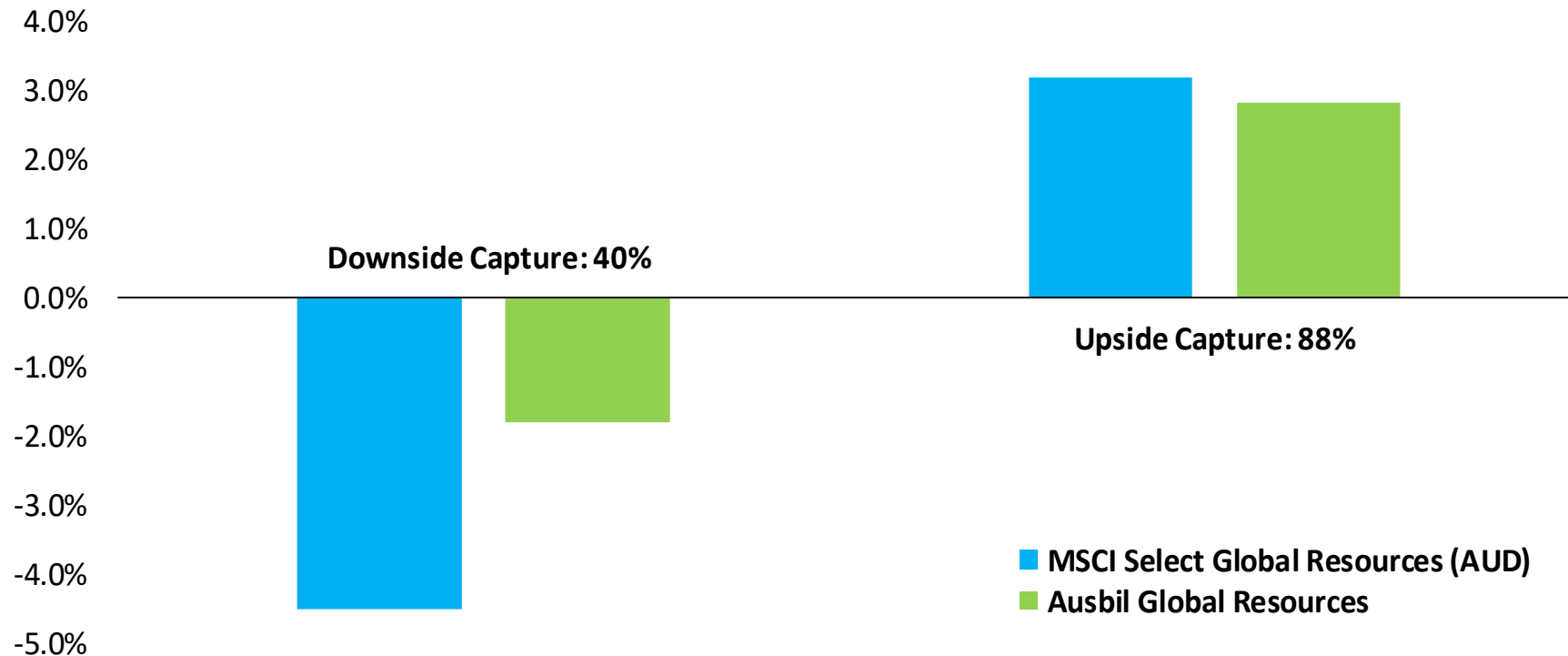


Chart compares the performance of The Fund in both negative (downside) and positive (upside) markets relative the MSCI Select Global Resources Index

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

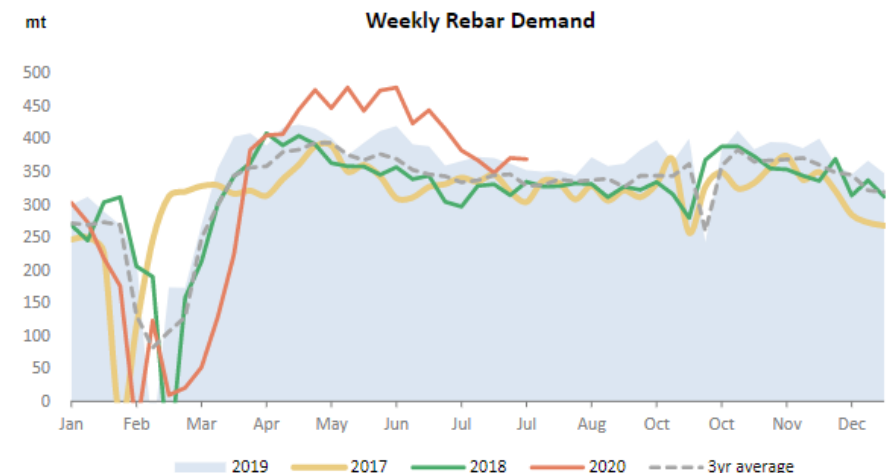
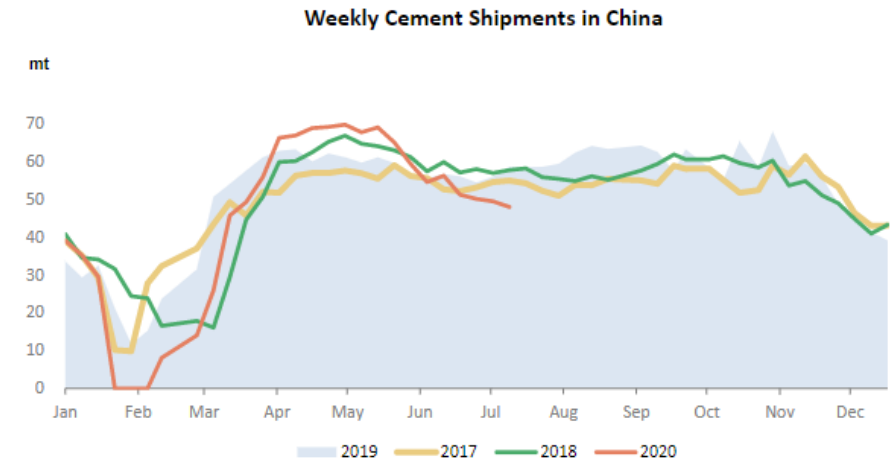


Current outlook

Demand – China recovery

Chinese growth returning strongly

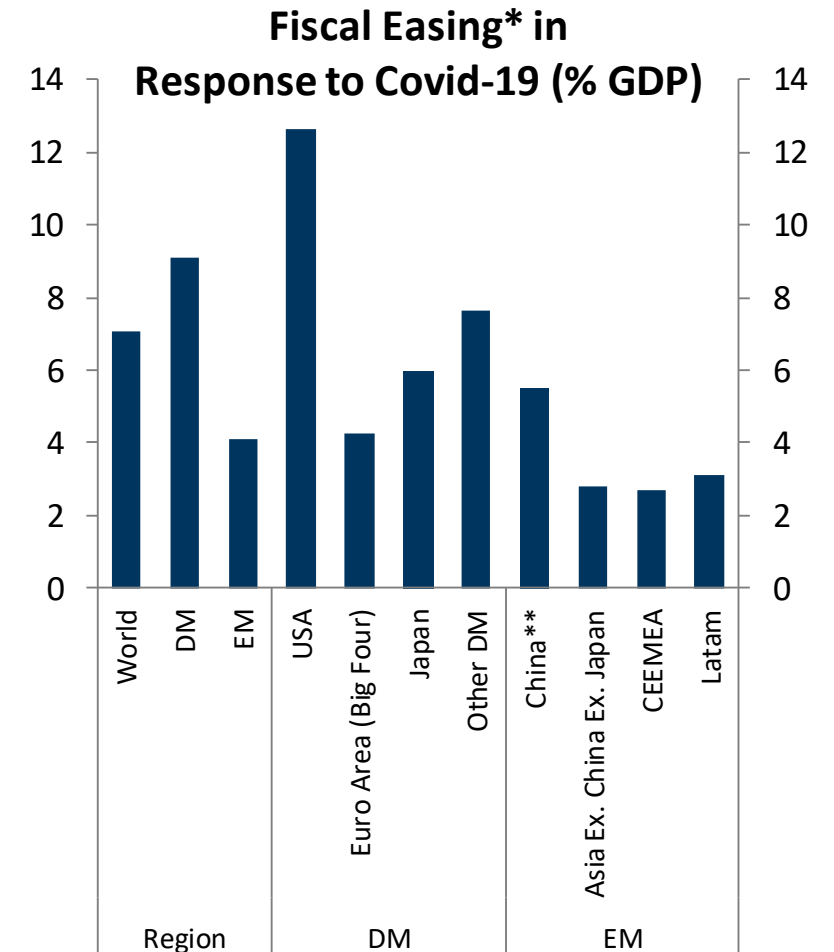
- China dominates global commodities demand
- Covid-19 had a major negative impact on Chinese economic growth
- Chinese metals demand and industrial activity has returned strongly
- Trader and end user activity returned to normal levels at the end of March
- Ex-China demand recovering (albeit slowly) post Covid related lockdowns
- Chinese stimulus supported infrastructure development which is steel-intensive and positive for Iron Ore in particular



Demand – Global Stimulus

Stimulus – policy “bazookas” supportive for commodities

- Covid-19 an unprecedented exogenous shock that impacted global economy
- Decisive intervention by governments and central banks to cushion economic impact
- Global co-ordinated monetary and fiscal stimulus undertake
- China long term GDP growth targets remain a key focus for nation
- Fiscal spend likely to focus on commodity intensive infrastructure spend
- Inflationary recovery expectations supportive for commodities demand
- Lockdowns need to ease before policy can be effective



Supply – Short term disruptions

Demand recovery could see squeeze given supply issues

- Supply disruptions from Covid-19 have potential to tighten markets significantly
- Chinese domestic supply similarly impacted and was slow to respond
- China is heavily reliant on imported supply of raw materials
- South America in particular represent risks to Iron Ore and Copper supply
- Treatment charge weakness highlights market supply concerns and tightness of markets
- Restock of commodity inventories increasing but not to historical highs
- Risk of snapback in demand into supply chains which have been heavily disrupted





Current positioning

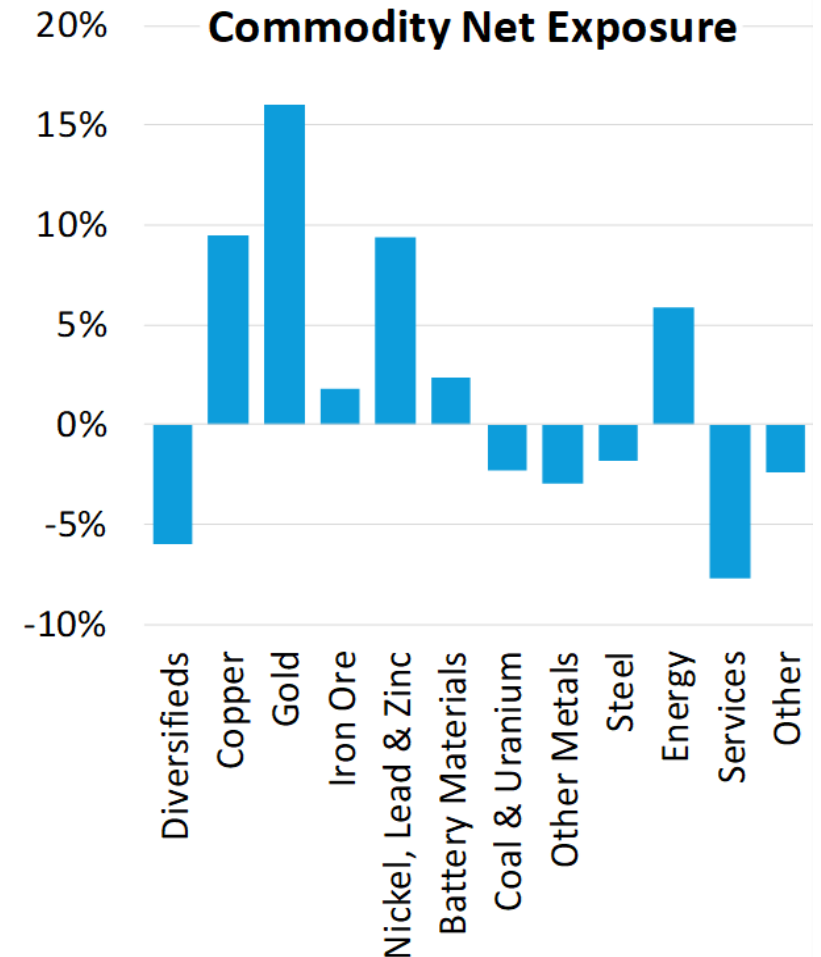


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Portfolio positioning¹

China dominated commodities to benefit from stimulus

- **Long Copper.** Demand recovered post Covid-19 impact on global growth. Covid-19 supply disruptions significant in key supply regions.
- **Long Gold.** Macro supportive. Negative real rates support gold. Provides portfolio protection.
- **Long Energy.** OPEC+ and forced curtailments balancing market. Demand recovering.
- **Long Battery Materials.** Short-term oversupply. Electric vehicle uptake accelerating globally. Exponential long-term demand growth.
- **Long Iron Ore.** Recently reduced positioning –was core long. Chinese steel demand strong, benefiting from stimulus. Brazil supply risk.
- **Short Services.** Challenging environment for Engineering, Services and Construction as capex cycle weakens given pricing uncertainty.



Portfolio positioning¹

Core Long positions

Iron Ore	CHAMPION IRON 		 Mount Gibson Iron
Gold	 KIRKLAND LAKE GOLD	 AuTECO Minerals	 Bellevue GOLD LIMITED
Copper	 NEVADA COPPER	 HUSBAY	 OZ MINERALS
Energy	 noble energy	 Santos	 Oil Search
Other	 GALAXY	 Lynas CORPORATION LTD	 igo

1. Source: Ausbil, as at 31 July 2020



Gold and other precious metals

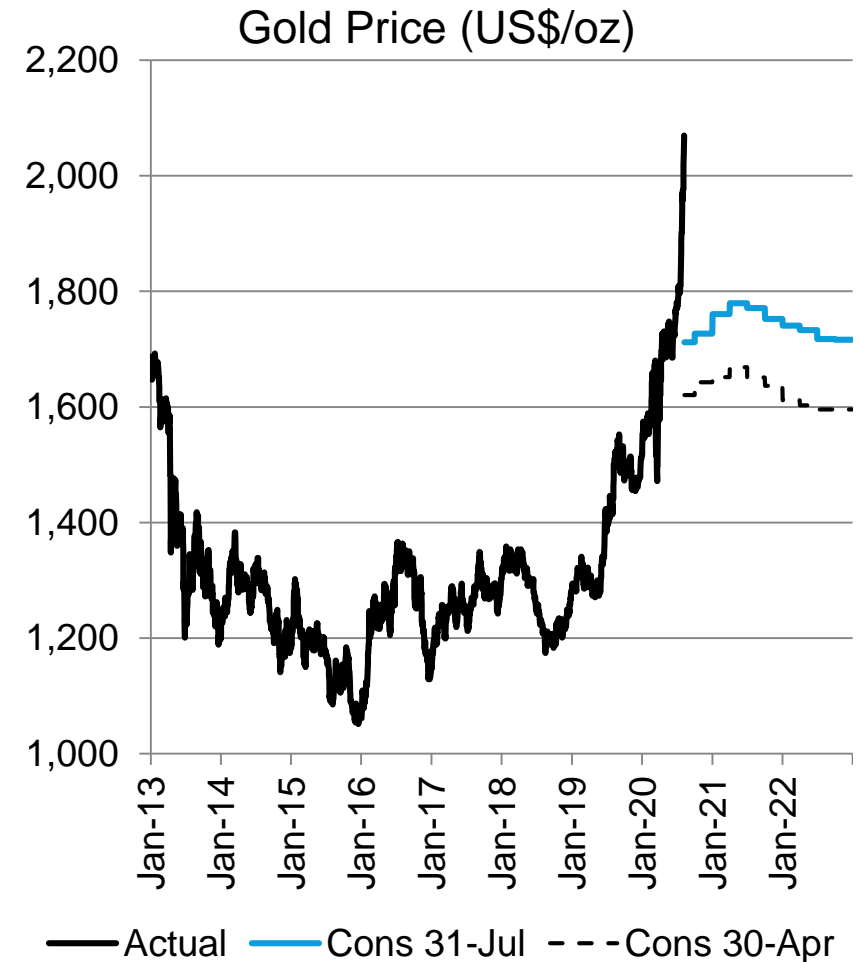


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Gold

High correlation to real rates

- The outlook for gold has significantly improved.
- Gold price dictated by pace of the US expansion, the path of long term real yields as well as the course of the US dollar and the US equity risk premium.
- Timing and magnitude of FED rate cycle is likely to impact on price volatility.
- FED rate cuts supportive for the commodity – balanced against current weakness in inflation
- ETF inflows a key driver as well
- Gold as a safe haven also supportive





Energy

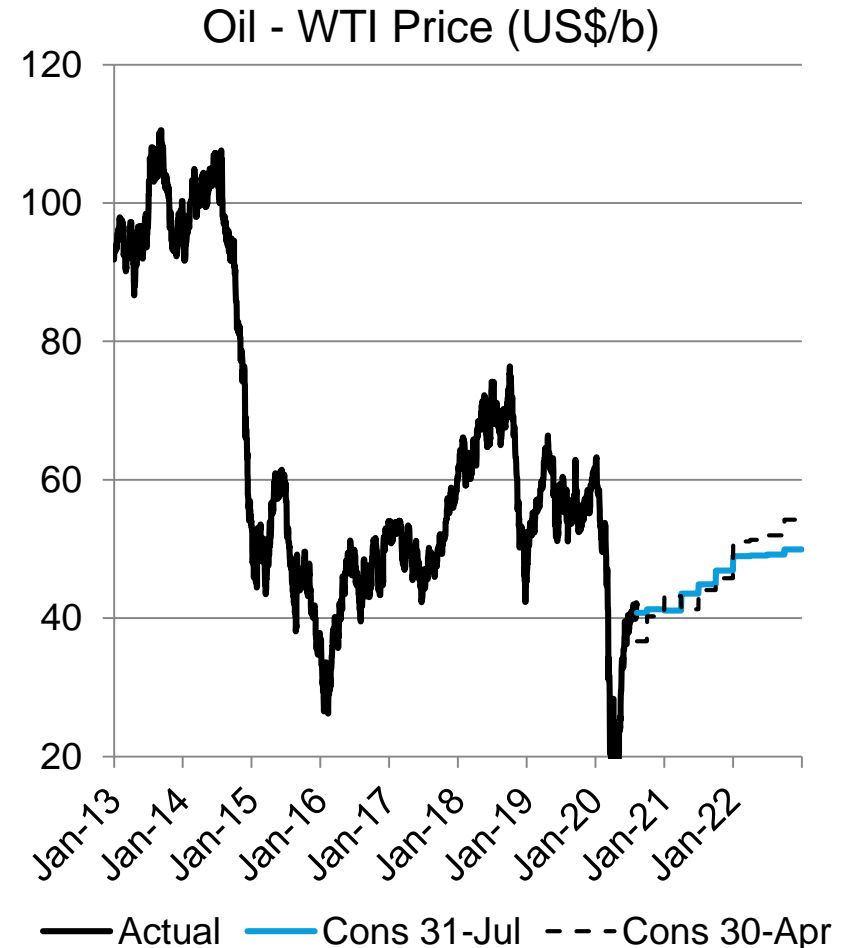


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Oil

Dual shock – supply rebalancing market, demand recovering

- Combination of supply and demand shocks
- Demand impacted by COVID-19 implications on transportation and industrial consumption
- Demand recovering as economies return from lock down – second wave the risk to recovery timeline
- Record 9.7mmbpd curtailment by OPEC+ - phased reduction over two years should accelerate rebalance
- US shale swing factor – material capex reduction to result in production reduction





Q. Any other questions?



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Global Investment Series

Join us again for more Fund Manager Q&A sessions

Global Essential Infrastructure

Thursday 20th August



Tim Humphreys
Head of Global
Listed Infrastructure



Jonathan Reyes
Co-Head Global
Listed Infrastructure

Global SmallCap

Thursday 27th August



Simon Wood
Portfolio Manager,
Global SmallCaps



Tobias Bucks
Portfolio Manager,
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