



# Kopernik

Global Investors, LLC

## KOPERNIK GLOBAL INVESTORS, LLC

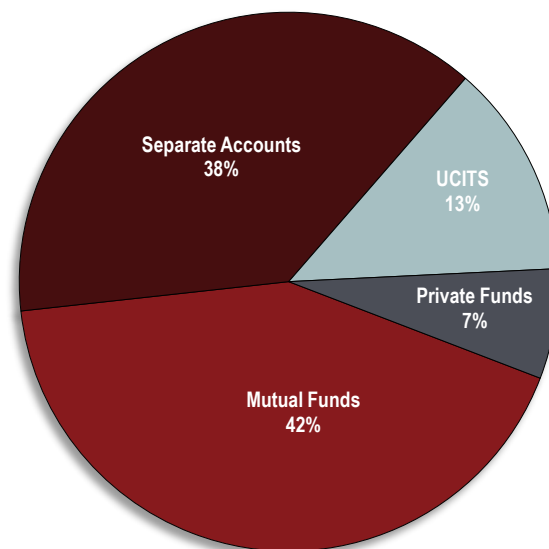
2Q 2017 CONFERENCE CALL

Presented by:  
David B. Iben, CFA  
CIO & Lead Portfolio Manager

# CENTERING ON CLIENT SUCCESS

KOPERNIK GLOBAL INVESTORS, LLC (“KOPERNIK”) IS A GLOBAL EQUITY INVESTMENT MANAGEMENT SPECIALIST, ORGANIZED TO ENSURE A CULTURE CENTERED ON CLIENT SUCCESS.

- Leadership and ownership by investment professionals
- 100% employee owned
- Equity participation for all professionals
- Principals invest alongside clients
- Capacity to be limited, enhancing return potential
- Founded by David Iben – July 2013

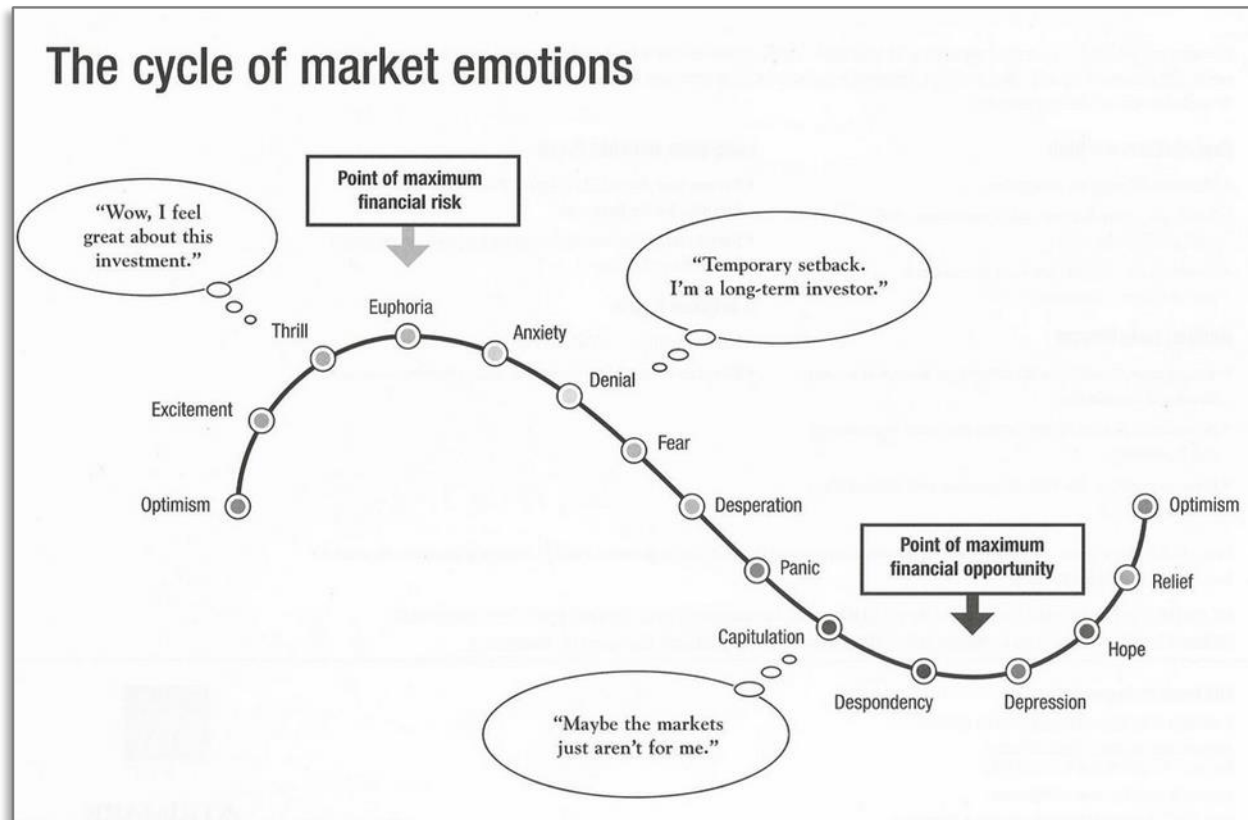


## TOTAL MANAGED AND ADVISORY ONLY ASSETS BY TYPE (AS OF 6/30/2017)

Managed Assets	
Mutual Funds	\$1,133.92 MM
Private Funds	\$176.40 MM
UCITS	\$343.20 MM
Separate Accounts	\$1,019.07 MM
<b>Total Firm AUM</b>	<b>\$2,672.59 MM</b>
Advisory Only Assets	
Separate Accounts	\$151.36 MM
<b>Total Managed and Advisory Only Assets:</b>	<b>\$2,823.95 MM</b>

Assets as of June 30, 2017 are preliminary.

# THE WEIGHT OF THE WAIT



Source: Available through multiple internet resources.

## EVERYTHING HAS A SEASON! THE WORLD IS CYCLICAL

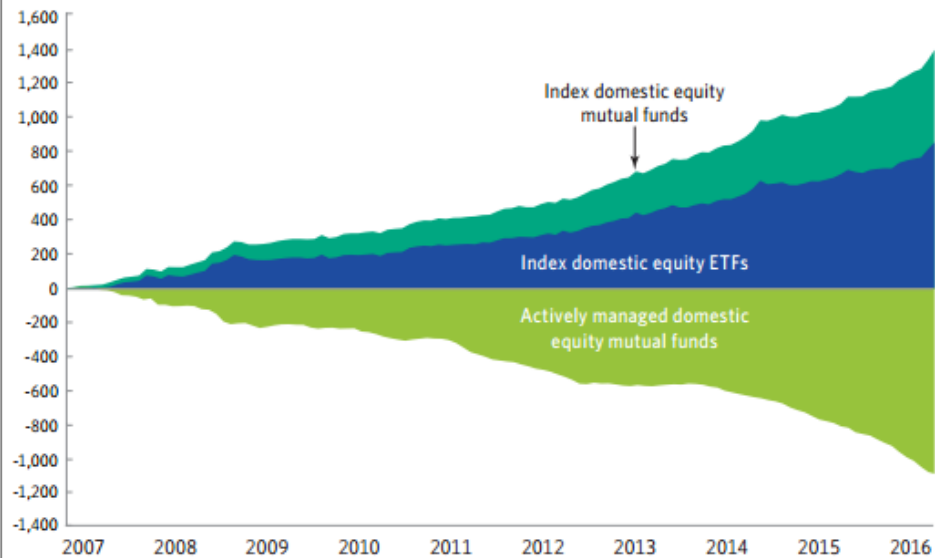


Active vs Passive | Value vs Growth | Global vs U.S. | Hard Assets vs Intangibles | Hard Money vs Fiat Currencies



### Some of the Outflows from Domestic Equity Mutual Funds Have Gone to ETFs

Cumulative flows to and net share issuance of domestic equity mutual funds and index ETFs,\*  
billions of dollars; monthly, January 2007–December 2016




\* Prior to October 2009, index domestic equity ETF data include a small number of actively managed domestic equity ETFs.

Note: Equity mutual fund data include net new cash flow and reinvested dividends. Data exclude funds that invest primarily in other funds.

Source: ICI: 2017 Investment Company Fact Book





# BE CAREFUL WHEN YOU FOLLOW THE **MASSES** ...SOMETIMES THE “**M**” IS SILENT!

## What's value got to do with it? Partial list of passive money (all figures in \$ bns)

Federal Reserve (securities portfolio)	\$4,253
European Central Bank (securities portfolio)	2,439
Bank of England (loan to asset-purchase facility)	484
Bank of Japan (gov't & corp. bonds, ETFs, REITs)	3,913
Swiss National Bank (stocks, bonds)	683
China foreign-exchange reserves	3,009
Worldwide exchange-traded funds	3,500
Indexed mutual funds—U.S. only	2,848
<b>Total</b>	<b>\$21,129</b>

sources: The Bloomberg, Federal Reserve, Bank of England, Bank of Japan, Swiss National Bank, European Central Bank, Investment Company Institute, ETFGI LLP

Source: Grant's Interest Rate Observer

# BACHMANITY INSANITY



© HBO

- End of Value Management?
- End of Active Management?
- End of Int'l Investing?
- Tangible Assets are Albatrosses in a New Era?

*We've seen this picture before.*

1929

1972's Nifty Fifty

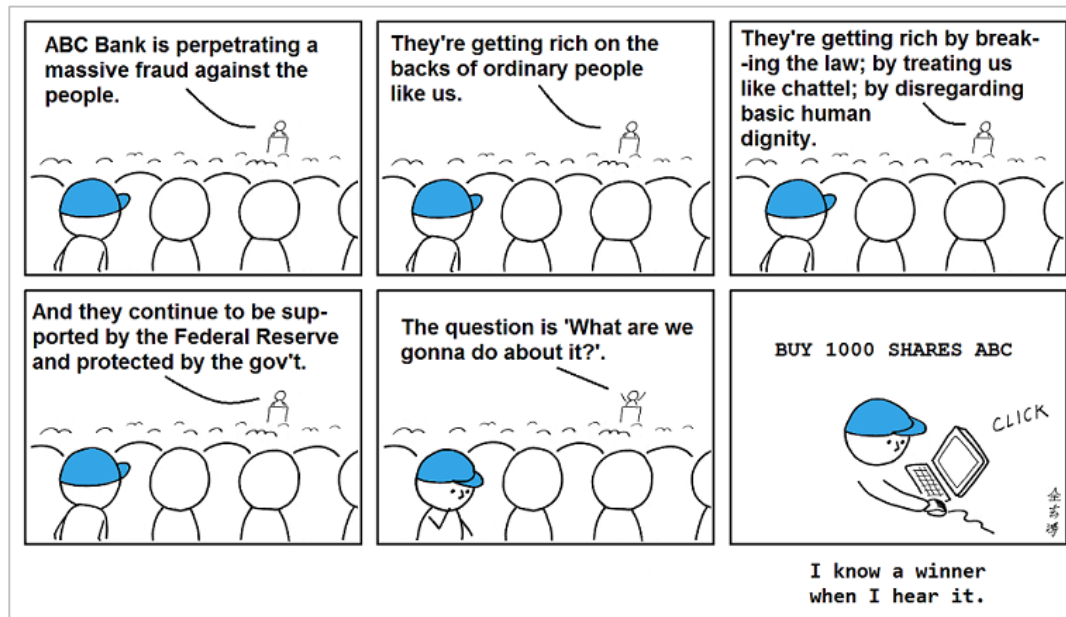
1999

- The head of the Oakmark Fund becomes the highest-profile "value" manager to date to be ousted. But analysts don't think he'll be the last. "George's reluctance to incorporate the new economy into the overall scheme of his investment discipline has clearly hurt him," says James Lowell, editor of Fidelity Investor. "This is a cautionary tale of a manager that seems to be unwilling to change his stripes in the face of a market that has clearly changed its stripes."
- Warren Buffett was trashed on the front page of the Wall Street Journal for sticking with value
- Julian Robertson closed the second most successful hedge fund in history, "there is no point in subjecting our investors to risk in a market which I frankly do not understand."

2017

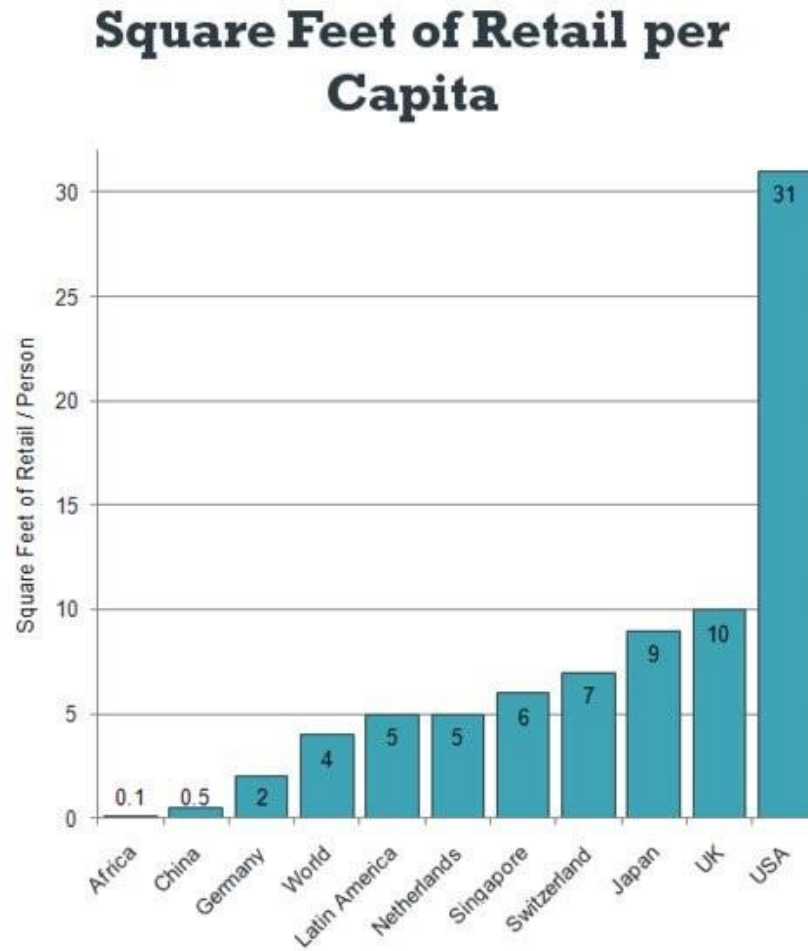
- The End of an Active-Investing Era – Barron's
- The investment-industrial complex doesn't want to admit it, but active investing's low odds of success dictate the acceptance of passive strategies.
- "This Time Seems Very, Very Different" – Jeremy Grantham, "it seems likely that we will have a longer wait than any value manager would like (including me)"

# IS IT FAIR THAT INCREASING CORPORATOCRACY IS SIMULTANEOUSLY A REASON TO SHUN EMERGING MARKETS, BUT A REASON TO EMBRACE U.S. STOCKS?



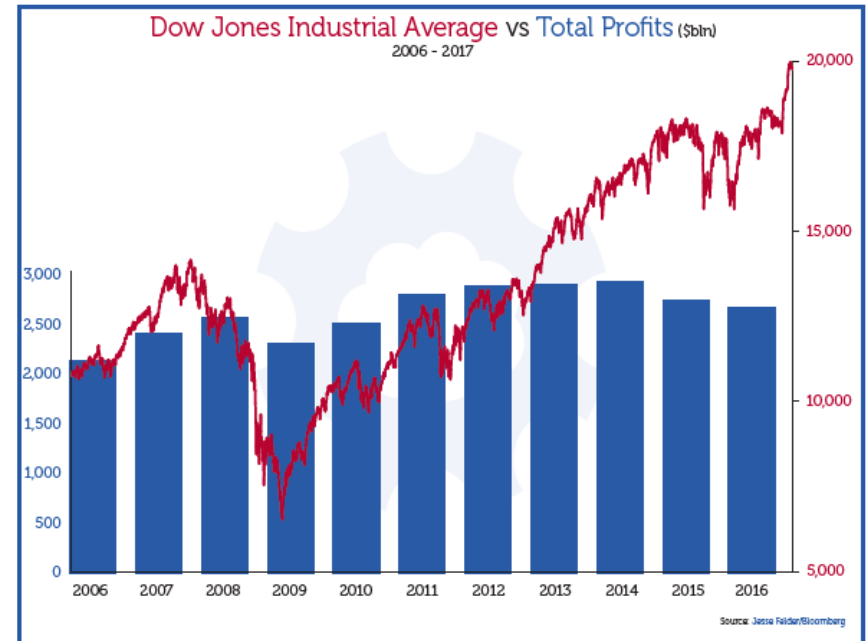
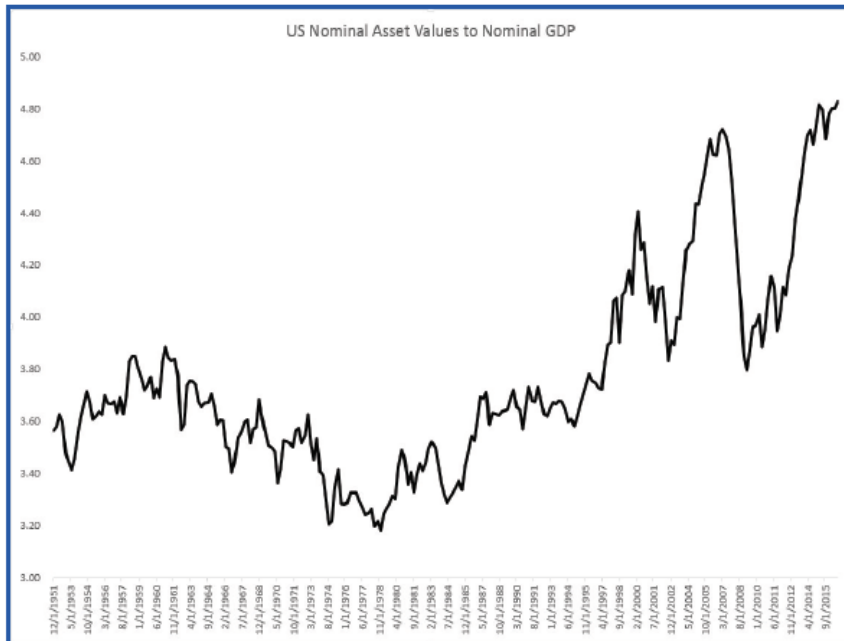


## HOW MUCH IS “EXCESS”?



Source: SeekingAlpha.com

# HOW MUCH IS TOO MUCH?



Source: Things that make you go hmmm | Vol. 4 Issue 06

# IS THIS 1982 ALL OVER AGAIN?

RONNIE OR DONNIE?  
January 1980 vs November 2016

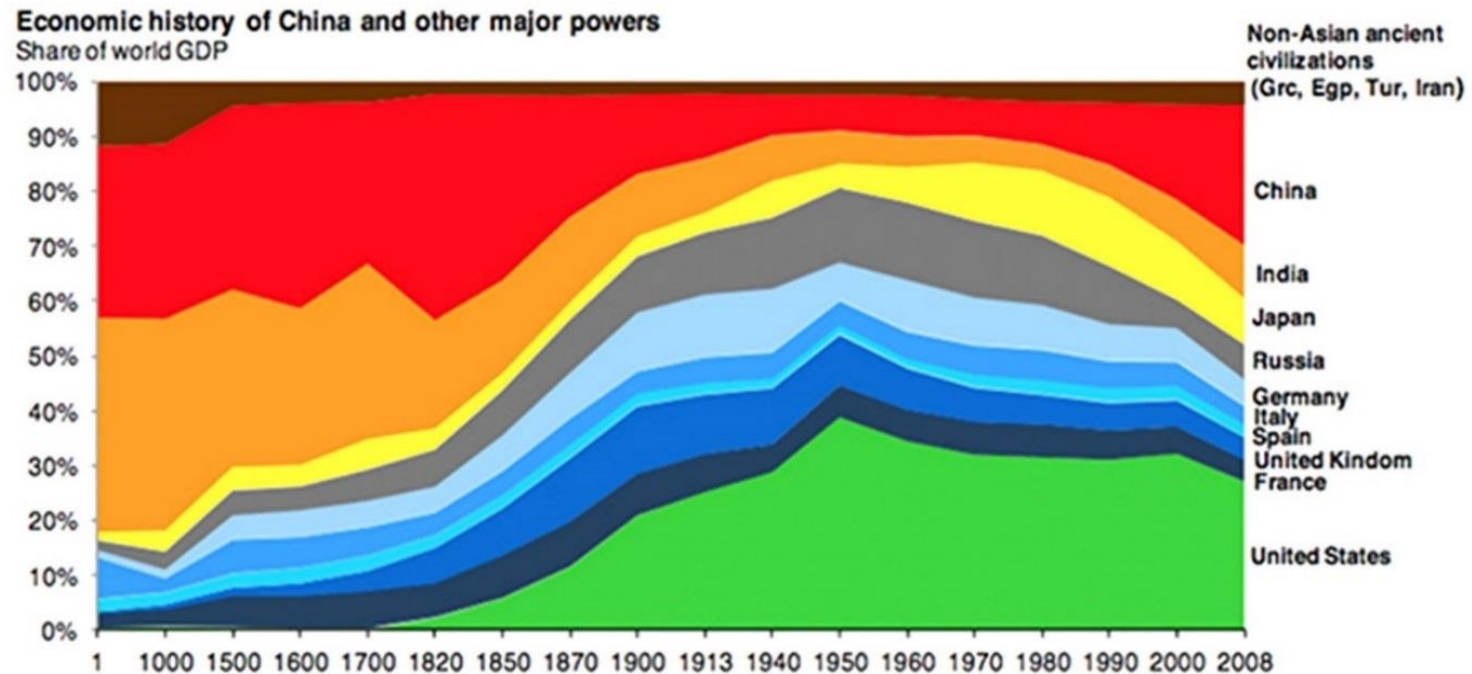
	<u>START</u>	<u>HIGH/LOW</u>
  <b>CPI:</b>	<b>14.8%</b>	<b>1.1%</b>
 <b>10-YEAR YIELD</b>	<b>10.7%</b>	<b>7%</b>
 <b>S&amp;P500 P/E:</b>	<b>7.1X</b>	<b>22.4X</b>
 <b>FEDERAL DEBT:</b>	<b>\$800 BLN</b>	<b>\$2.68 TLN</b>
 <b>DEBT-TO-GDP:</b>	<b>30.8%</b>	<b>49.6%</b>
 <b>CPI:</b>	<b>1.6%</b>	<b>?</b>
 <b>10-YEAR YIELD</b>	<b>1.85%</b>	<b>?</b>
 <b>S&amp;P500 P/E:</b>	<b>20.4X</b>	<b>?</b>
 <b>FEDERAL DEBT:</b>	<b>\$19.8 TLN</b>	<b>?</b>
 <b>DEBT-TO-GDP:</b>	<b>105%</b>	<b>?</b>



Source: Things that make you go hmmm | Vol. 4 Issue 06

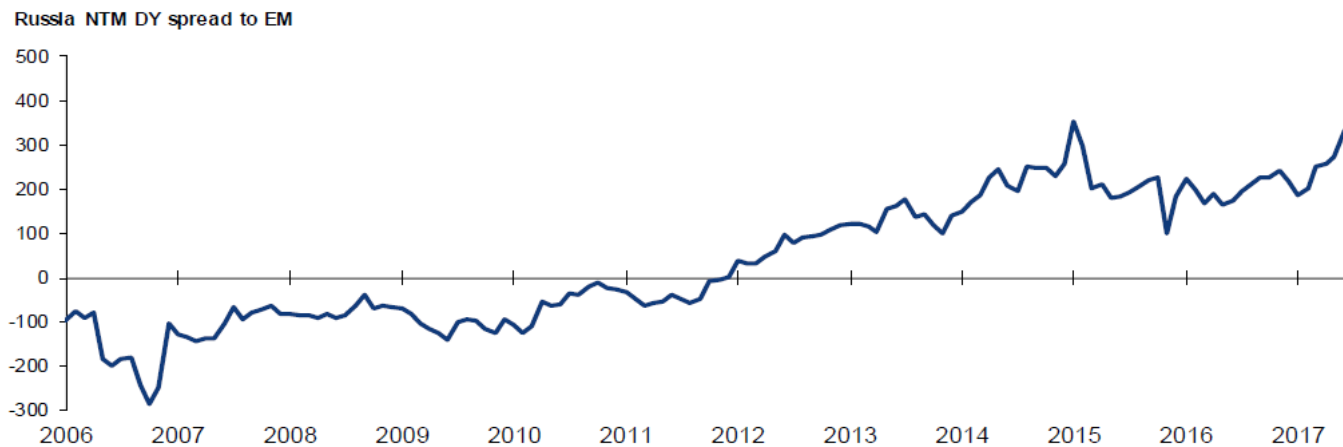
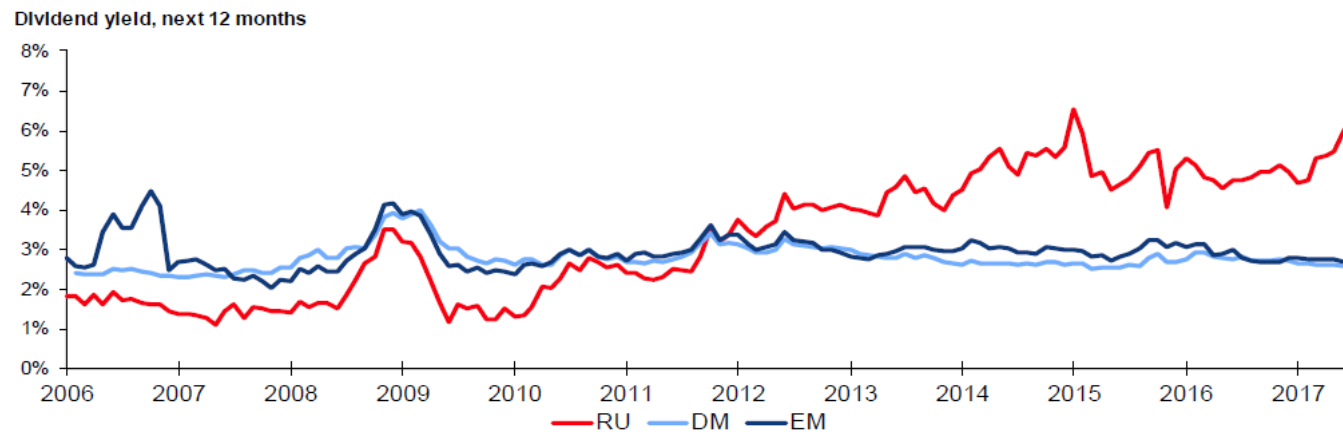
# LIFE BEYOND U.S. BORDERS

“Be proud you’re a rebel, cause (EM’s) gonna do it again” – apologies to The Charlie Daniels Band



Source: Mauldin Economics | SIC2017 Highlights

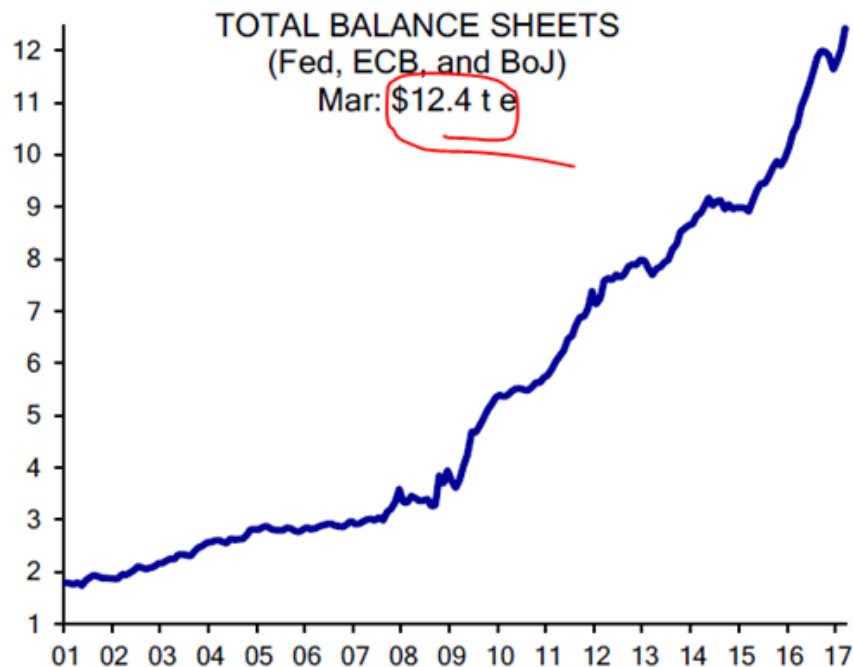
**Figure 2: Dividend yield, next 12 month (NTM), Russia vs. EM**



Source: VTB Capital | Dividend Watch - July 10, 2017



## STIMULATIVE MONETARY POLICY

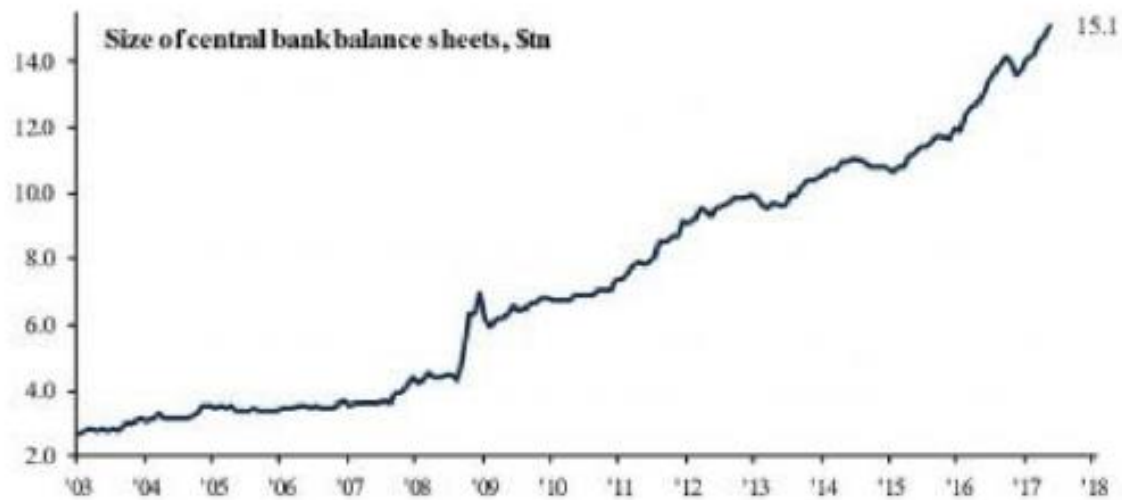


Source: EVERCORE ISI

The Federal Reserve may start to shrink its balance sheet later this year, but the sum of European Central Bank, Bank of Japan, and Federal Reserve balance sheets will be higher than it is today.



**Chart 1: Central banks have bought \$1.5tn in assets YTD**

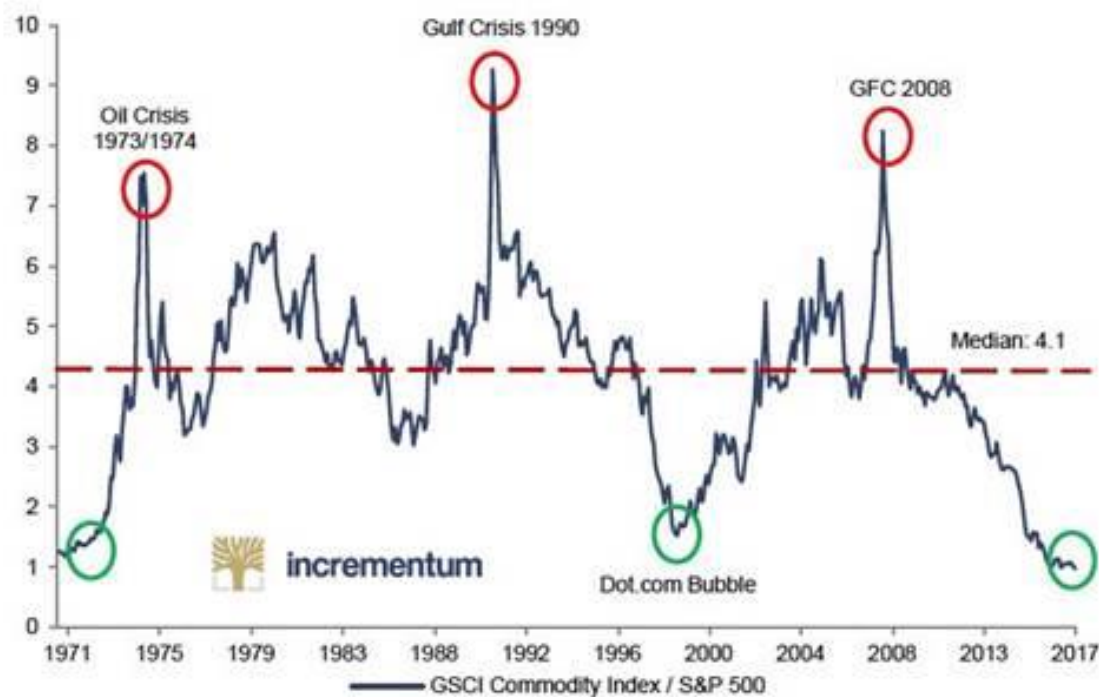


Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg. Note: includes ECB + Fed + BoJ + BoE + SNB balance sheet assets.

Source: THE HIGH-TECH STRATEGIST | Issue #354

# GSCI/S&P 500 RATIO

**GSCI/S&P500 ratio: equities expensive, commodities cheap?**



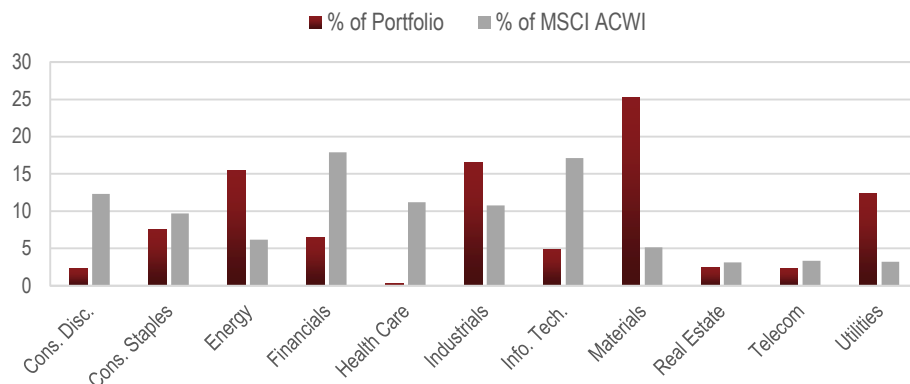
Source: Dr. Torsten Dennin, Incrementum AG



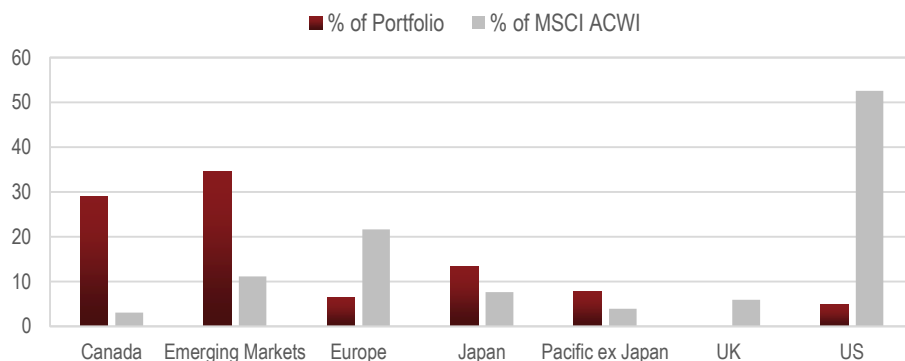
Source: THE HIGH-TECH STRATEGIST | Issue #354

# GLOBAL ALL-CAP – MODEL PORTFOLIO (AS OF 6/30/2017)

## PORTFOLIO SECTOR WEIGHTS



## PORTFOLIO REGION WEIGHTS



## TOP TEN COMPANIES

Name	Country	% of Portfolio
Cameco Corp	Canada	5.00
Newcrest Mining Ltd	Australia	4.25
Gazprom PJSC	Russia	4.25
Electricite de France SA	France	4.00
Mitsui & Co Ltd	Japan	3.25
Mitsubishi Corp	Japan	3.00
Japan Steel Works Ltd/The	Japan	3.00
Centrais Eletricas Brasileiras	Brazil	2.75
RusHydro PJSC	Russia	2.75
Sberbank of Russia PJSC	Russia	2.75

## PORTFOLIO CHARACTERISTICS

Capitalization	Portfolio	Benchmark
Weighted Average	\$10.97B	\$113.99B
Median	\$2.06B	\$10.07B
Active Share	99.69	
	Portfolio	MSCI ACWI
	Harmonic	Harmonic
Trailing P/E	17.79	20.61
Trailing P/CF	5.03	9.98
Trailing P/B	0.69	2.18
Trailing P/TBV	0.7	2.53
Trailing EV/S	1.25	1.86
Yield (TTM)	2.11	1.45

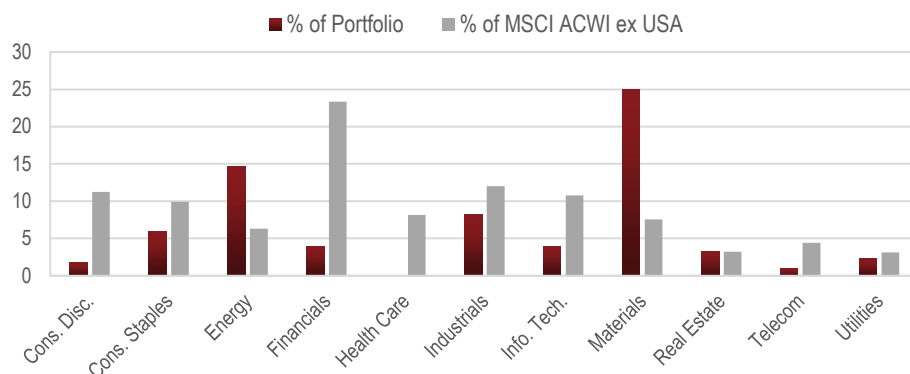
Portfolio weights and characteristics above are based on the holdings of a model portfolio as of June 30, 2017. Portfolio characteristics, sector and country designations are calculated using data from Bloomberg. Harmonic weighted average is a method of calculating an average value that lessens the impact of large outliers..

The MSCI All Country World Index is a broad-based securities market index that captures 2,501 primarily large and mid cap companies across 23 developed and 23 emerging market countries as of June 30, 2017. The MSCI All Country World Index is different from the strategy in a number of material respects, including being much more diversified among companies and countries, having less exposure to emerging market and small cap companies, and having no ability to invest in fixed income or derivative securities.

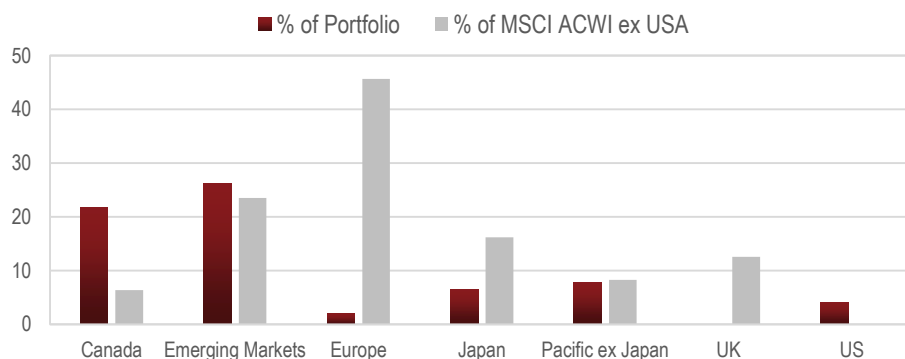


# INTERNATIONAL – MODEL PORTFOLIO (AS OF 6/30/2017)

## PORTFOLIO SECTOR WEIGHTS



## PORTFOLIO REGION WEIGHTS



## TOP TEN COMPANIES

Name	Country	% of Portfolio
Cameco Corp	Canada	4.50
Newcrest Mining Ltd	Australia	4.50
Gazprom PJSC	Russia	4.25
Wheaton Precious Metals Corp	Canada	3.50
Barrick Gold Corp	Canada	3.50
Royal Gold Inc	United States	3.25
Sberbank of Russia PJSC	Russia	2.50
Novagold Resources Inc	Canada	2.50
Golden Agri-Resources Ltd	Singapore	2.25
LUKOIL PJSC	Russia	2.00

## PORTFOLIO CHARACTERISTICS

Capitalization	Portfolio	Benchmark
Weighted Average	\$14.30B	\$63.11B
Median	\$5.06B	\$8.30B
Active Share	99.04	
	Portfolio	MSCI ACWI ex USA
	Harmonic	Harmonic
Trailing P/E	16.04	19.35
Trailing P/CF	6.36	7.78
Trailing P/B	0.81	1.67
Trailing P/TBV	0.77	1.96
Trailing EV/S	1.53	1.49
Yield (TTM)	1.73	1.66

Portfolio weights and characteristics above are based on the holdings of a model portfolio as of June 30, 2017. Portfolio characteristics, sector and country designations are calculated using data from Bloomberg.

Harmonic weighted average is a method of calculating an average value that lessens the impact of large outliers.

The MSCI All Country World Index ex USA is a broad-based securities market index that captures 1,866 primarily large and mid cap companies across 22 developed and 23 emerging market countries as of June 30, 2017.

The MSCI All Country World Index ex USA is different from the strategy in a number of material respects, including being much more diversified among companies and countries, having less exposure to emerging markets, and having no ability to invest in fixed income or derivative securities.



## THE POTENTIAL UPSIDE MORE THAN JUSTIFIES THE PATIENCE REQUIRED

Year	Potential Upside			Internal Rate of Return
	50.0%	100.0%	150.0%	
1	50.0%	100.0%	150.0%	
2	22.5%	41.2%	58.1%	
3	14.5%	26.0%	35.7%	
4	10.7%	18.9%	25.7%	
5	8.5%	14.9%	20.1%	
6	7.0%	12.3%	16.5%	
7	6.0%	10.4%	14.0%	
8	5.2%	9.1%	12.1%	
9	4.6%	8.0%	10.7%	
10	4.1%	7.2%	9.6%	



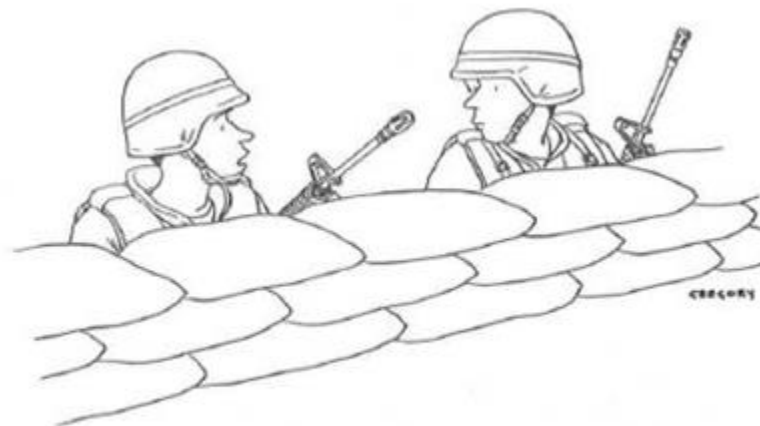
# PORTFOLIO CHANGES - REPRESENTATIVE PORTFOLIO Q2 2017

## GLOBAL ALL-CAP

New	Net Added to	Net Reduced	Eliminated
Hollysys Automation Technologies	Centerra Gold Inc	Areva SA	Embraer SA
	Cloud Peak Energy Inc	China Yurun Food Group Ltd	
	IMMOFINANZ AG	Golden Ocean Group Ltd	
	Kurita Water Industries Ltd	Ivanhoe Mines Ltd	
	New Gold Inc	Safe Bulkers Inc	
	Seabridge Gold Inc	Sanshin Electronics Co Ltd	

## INTERNATIONAL

New	Net Added to	Net Reduced	Eliminated
Moscow Exchange	Centrais Eletricas Brasileiras SA	BR Malls Participacoes	Mail.Ru Group Ltd
Baidu Inc.	Mitsui & Co Ltd	K. Wah International	
	Mitsubishi Corp	KT Corp	
	MEG Energy Corp	Yandex	
	Guangshen Railway Co Ltd	Hua Hong Semiconductor Ltd	
	Sberbank of Russia		
	Lukoil		



*"How do you stay so calm about the stock market?"*

# THANK YOU

## Q&A SESSION

A copy of this presentation is available on [www.kopernikglobal.com](http://www.kopernikglobal.com).



# Kopernik

Global Investors, LLC

APPENDIX





# INVESTING WITH A DISTINCTIVE PHILOSOPHY

THE LIKELY OUTCOME OF A DISTINCTIVE PHILOSOPHY CONSISTENTLY IMPLEMENTED BY SKILLED INVESTORS – SUSTAINABLE INVESTMENT SUCCESS AND LOW CORRELATIONS TO OTHER MANAGERS

We view ourselves as owners of businesses:

- Market inefficiencies present numerous opportunities to identify quality businesses that we believe are mispriced
- Independent research of a company's business, industry supply/demand, competitive positioning and management uncovers opportunities

We predicate our intensive, original research on:

- A global perspective to enhance understanding of markets and companies
- A long-term investment horizon to allow for inherent value to be realized
- Value as a prerequisite, not a philosophy
- Bottom-up, fundamental analysis to gain a thorough understanding of a company's business and valuation
- Industry-tailored valuation metrics to assess distinct industry characteristics and success drivers



# UNCOVERING VALUE WITH INDUSTRY SPECIALISTS

- Far-reaching investment experience in global markets with a long record of success
- Searching for market anomalies with industry specialists who have diverse backgrounds and distinct perspectives
- Group vetting to challenge ideas and develop high conviction

RESEARCH	YEARS INVESTMENT AND/OR RELATED EXPERIENCE	RESEARCH	YEARS INVESTMENT AND/OR RELATED EXPERIENCE
David Iben, CFA	35	Alissa Corcoran, CFA	5
Mark McKinney, CFA	25	Taylor McKenna	9
Isabel Satra	13	Stephen Rosenthal, CFA	24
C. Lee Quaintance	31	Todd Tosti	7
Simon Shi, CFA	15		

*Additionally, Kopernik's analyst team is supported by the team of research associates: Seamus Sullivan, Hailey Davis, and Lillian Cousins.*



## IMPORTANT INFORMATION

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Please consider all risks carefully before investing. The accounts managed according to the Global All-Cap investment strategy are subject to certain risks such as market, investment style, interest rate, deflation, and illiquidity risk. Investments in small and mid-capitalization companies also involve greater risk and portfolio price volatility than investments in larger capitalization stocks. Investing in non-U.S. markets, including emerging and frontier markets, involves certain additional risks, including potential currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity, less disclosure, and the potential for market volatility, expropriation, confiscatory taxation, and social, economic and political instability. Investments in energy and natural resources companies are especially affected by developments in the commodities markets, the supply of and demand for specific resources, raw materials, products and services, the price of oil and gas, exploration and production spending, government regulation, economic conditions, international political developments, energy conservation efforts and the success of exploration projects. There can be no assurances that investment objectives will be achieved.

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This document, as of July 20, 2017 is descriptive of how the Kopernik team manages the Global All-Cap strategy. There is no guarantee that any strategy's investment performance objectives will be achieved. This profile is not legally binding on Kopernik Global Investors, LLC or its affiliates.