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VOLUME 6
ISSUE 3
MARCH 3, 2017

INSIDE

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By David Iben

Kopernik's Way

David Iben Talks Value, Real Asset Investing In Upside Down Market

Kassim Gaffar: Good afternoon everyone, and thank you for joining us for our fourth quarter call with Dave Iben, our lead portfolio manager and CIO of Kopernik Global Investors. Before I pass the call over to Dave for the bulk of the call, I just have a couple of quick housekeeping items and a quick Firm update. Given this is our first call for the year, first and foremost, Happy New Year to everyone, and also just want to personally thank everyone for their support and, more importantly, the conviction to stay committed alongside us since the inception of the Firm and the strategy.

I also want to highlight that what's interesting is — although you've seen a very strong year performance-wise from us last year, what's interesting is this portfolio — if you look at the valuation metric for the majority of them, the portfolio is still at a fairly large double-digit discount from three and a half years ago when we started the Firm.

Also, if you look at the performance, again what's interesting and important to highlight, is around 30–40% of the fund, which was in the mining area and in emerging market utilities, took a big beating for the last two and a half years. Which, if you look at the performance last year, a majority of the contribution, you saw in those names, they came back to levels and, in some cases, slightly higher than when we were looking to buy into them. So clearly, we still feel the portfolio is significantly — or at least it's still very undervalued.

Lastly, before I pass it over to Dave, I just want to mention that overall, on the Firm level, we ended 2016 right around \$2.5 billion under management. This number compared to a year ago, we were at \$1.6 billion. So, in addition to strong market appreciation, we have seen continued positive net flows.

Also, I just want to highlight, from a people standpoint, we are 33 people strong and we've, in the year, continued to add talent across different areas of the firm as we have felt fit.

The presentation that Dave will be referring to can be found on our website kopernikglobal.com. Without further ado, let me pass it over to Dave.

Dave Iben: All right, thanks Kassim, and thanks everybody for dialing in. Good afternoon, it's been as Kassim said, a strange and tough three and a half years for value investors. Things went from very cheap to much cheaper and bounced back but, this is a very interesting business we're in. We love this business and it never gets boring, and a lot of things look pretty encouraging.

What we want to talk about is sort of the environment. We are pretty well known for being unconventional. We want to discuss thinking about it. What's very, very unconventional nowadays is doing what was conventional for much of the last century, really. The world sort of flipped upside down. So, it's now unconventional, I guess, to believe that supply and demand still matter, especially when it comes to money, or people don't seem to think supply and demand matter at all.

We were taught that economics was a social science dealing with scarcity. Scarcity is what matters. People seem to value bonds more as the supply goes up — value more as the supply goes up. We think it matters. There's a reason that diamonds are worth so much more than CZ's. There's a reason that water is worth a lot in the desert, but not in a flood zone.

Bond prices, we were taught, should reflect the

RESEARCH SEE
DISCLOSURES PAGE 13

WELLINGTONWALLST. March 3, 2017 PAGE 1

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Published exclusively
for professional investors
by

Welling on Wall St. LLC
ISSN 2332-161X

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Distributed biweekly,
usually on Fridays,
18 times a year, by
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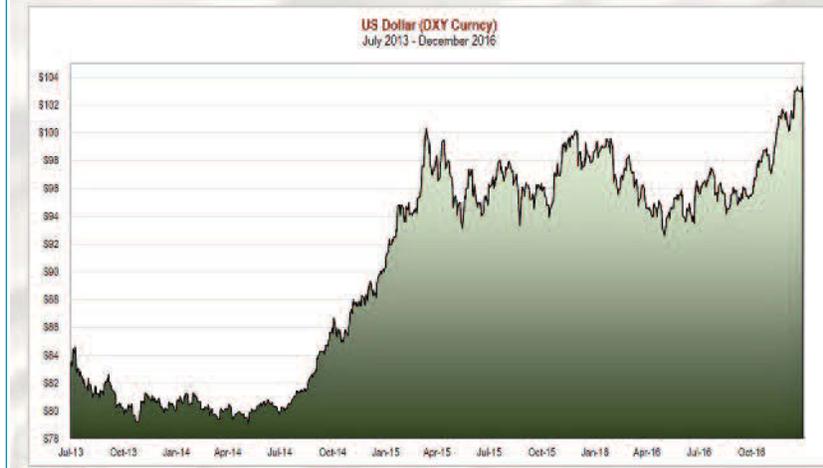
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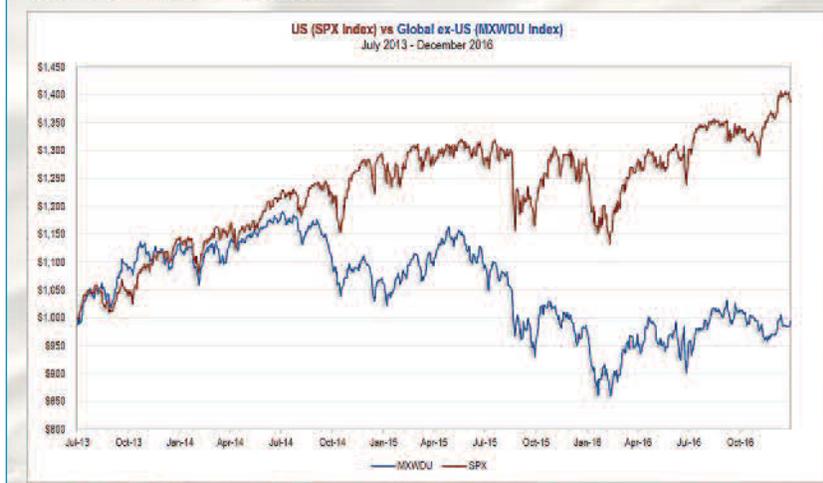
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Could It Have Been Any Worse For Global Value Investors?



Source: Bloomberg

US vs Global ex-US



Source: Bloomberg

ability of the buyer to pay you back. And now, it's almost the opposite. The less able they are to pay you back, the more people assume they will be bailed out. We believe there is a cost to everything. The government can't magically make things better, valuation matters. I remember people used to believe in value a lot when I came in the business. Now it's all about direction and catalysts. And the future, we think, is hard to predict. We think people should focus on the here and now. And incentives matter a lot; so different there.

Now what's always been unconventional, I think, is our willingness to place, and to willingly and aggressively constrain our capacity, to put the client's needs ahead of our own profit motive. In general, alpha and size are inversely correlated. So we've said from day one we want to stay less than \$20 billion. We continue to believe that. And the market nowadays, where liquidity seems to all be

in the ETF markets, we think it's important to also limit \$2 billion per strategy per client per vehicle, if you will. We think that will help.

Therefore, because we don't want to have to ever hard close, Kopernik will soft close both classes of the Kopernik Global All Cap Fund, even though we're only half way through that \$2 billion mark. Why? I just said so. We want to keep the ability to generate superior returns. We want to manage capacity carefully, enable sufficient liquidity, and preserve our ability to generate alpha wherever those opportunities are, and to potentially limit the risk that can come from draws on capital at the wrong time.

This means we need to maintain the ability to take advantage of opportunities across markets, across countries, industries, whether they're large

cap, small cap — we need the ability to be there. So, the easy and profitable thing for us to do would be to leave this open and bring in the money and then hard close. But because we know that it's very inconvenient for many of you to have a hard close, we've decided to soft close much earlier than people would have expected. So that will be effective the end of this quarter, March 31st.

Precedence for this, those of you that have known us since the Tradewinds days come to expect such things. We've always closed things sooner than people would have thought. The important thing is difficult as this is for a lot of us, it's our hope and our belief that this should demonstrate that we place the well-being of clients paramount. We're cognizant of the inconveniences. We feel bad about that. It's not best for us either, but we are hopeful that clients agree that it's worth the cost because it

should enhance the alpha generating potential, and it should preserve the ability for people to not be affected by hard closes in the future. There are other vehicles that remain open.

But importantly, a couple years ago, we could see the writing on the wall, so we thought it would be best to launch a similar fund. So, we have a fund that's very similar. It's our International Fund. And it's similar, but it has basically no U.S. exposure — a small amount of U.S. exposure — and it doesn't have a small cap exposure. So, this allows us to take in a lot more money without worrying about liquidity constraints, and money coming in and out from day to day. Thus far, it's been correlated at 96% with the Global All-Cap, has the same people, same philosophy, same process, same approved list, and we have no plans to offer additional strategies. The four we have now should continue to suffice.

Just quickly on the funds, you can see they are very similar. The correlation is 96%, the same issuer limits, same industry weights, same sector weights, same country weights — with the exception of U.S. — a tad more emerging market allowed, but as I mentioned, \$2 billion dollar minimum versus the all-cap nature of the Global All-Cap. To put that in another form, this is us versus a lot of the other money management firms that I know a lot of you compare us to.

A few things to notice, these are all our competitors with the names changed. Point one, if you can see in between the dark lines, 96%, we've already mentioned that between our two funds. Point two, is our two funds are not that correlated with the index. Point three, is all the other funds are highly correlated with the index. People like to be closer to the index than we do. And point four, in the green you can see that both of our funds are quite different from all the competitor funds. Point five, it's amazing, other than us, how highly correlated the competitor funds are to one another. So, a lot of people, I think, are big enough to worry they end up owning the same stocks. So, our two funds are similar to each other and quite different from other strategies out there. So, we view them fairly comparable.

Global All-Cap at the end of what's been a nice year, we feel very good about it. As Kassim said it brings us back to the neighborhood where we were before, but I'll point out as we pointed out in the past. Even after last year's nice run, the PE on this portfolio is one-third cheaper. The price to cash



Source: Bloomberg



Source: Bloomberg

flow is almost half, the price to book value is just over one-third at tangible book value, and more so a little cheaper on price to sales. That is despite the fact that we continue to have industry leaders. The fact that we're in some of the areas we'll talk about in a while is very attractive, despite the fact that we seem to be focused on the growing parts of the world. So we get growth at value prices. Things like 2009 were like that, the early 1980s were like that, and now the growth at value prices is something that makes us happy.

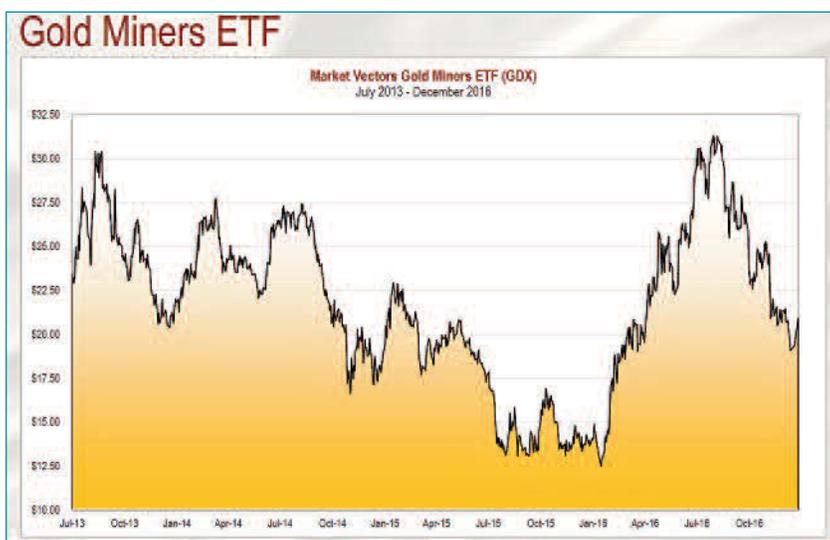
Now quickly on the International Portfolio, I will point out the top three holdings are the same, also, very cheap on a PE, price to cash flow, price to book. You will see the same over-weights and underweights, taking advantage of the same mistakes that the markets are making. You'll see the emphasis in Canada and the emerging markets, and

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Source: Bloomberg



Source: Bloomberg

you'll see that they have about the same amount in the U.S. as the Global All-Cap because the Global All-Cap is finding very little value in the U.S. So pretty equal portfolios, we're very excited about both of them, as we were several years back.

And so with that in mind, let's return to the investment arena, which is also pretty interesting. Back to the whole concept of what's conventional and what's unconventional. When I came in the business, it was sort of understood that trying to time things was a fool's errand. Nowadays, everybody's directional or macro or what's the catalyst. It's an entirely different world. We continue to believe that it's better to focus on values than to try to predict the future, and that works, we think, more often than it doesn't.

Although it was tough a few years ago, as we all

know. Albert Einstein always has a lot of smart things to say even outside the science area, "Never think of the future, it will come soon enough." We'll get back to that later, as we have in the past, showing you the upside on some of these stocks is attractive enough that people probably shouldn't worry about the timing all that much.

So, here we're in a world where people were worried a year ago, are we too early? A lot of people have lately wondered whether they're too late; have they missed it? Time will tell, but let's return to some more quotes, "Knowledge is about the past. Decisions are about the future." Galbraith's famous quote, "There's two classes of forecasters: those who don't know, and those who don't know that they don't know."

I always like Peter Bernstein's stuff, "Forecasts create the mirage that the future is knowable." And, when I came in the business, everybody always quoted Warren Buffett, who has a million different ways of telling us that we should focus on valuing companies and not predicting the future. His best quote is, in my view, "The forecasts usually tell us more about the forecaster than they do about the future."

So with that in mind, let's go back to the concept of timing. It's a well-known maxim in our business that being right, but early, simply means that you're wrong. Unsurprisingly, Kopernik disagrees with that view. Don't get us wrong, we're not happy that we were two years early, that we were 40% early on what seems to be happening now. Wish it could be different, but I think fundamental investors, value investors, understand that's the price that has to be paid.

The late 90s were the price that had to be paid for the great returns of the next dozen years for value investors. And we think 2014/15 was a price that needed to be paid. Maintaining conviction is what matters when things get cheaper. Not selling at the bottom is really important, and we at Kopernik are very thankful that you guys hung in with us. We know it was painful and congratulations on your conviction.

Anyhow, we may or may not have seen the turn, but we feel pretty good. Thankfully, a year ago people didn't tell us that, on the surface, 2016 was not going to be any better than the last few years. Think about it, for global value investors to watch the dollar soar — especially after the election — soar to the highest it's been in many, many years.

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That made things tough on our fund and all our global investors.

A related chart, a year ago and two years ago, we talked a lot about how the U.S. market had become very expensive relative to the rest of the world. That's gotten worse, the U.S. outperformed the rest of the world yet again. That I think eventually will prove a problem for people that are in the U.S. but, thus far it's been a problem for those of us who are finding more value elsewhere.

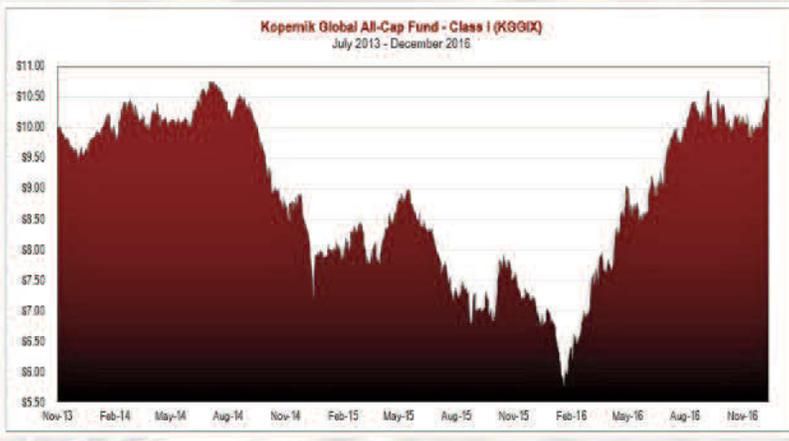
Now if things have been tough for global value investors, it's been especially tough in many ways for idiosyncratic investors. We've always loved David Swensen's truth, "We think that sometimes being right means the acceptance of uncomfortably idiosyncratic portfolios, those that frequently appear downright imprudent in the eyes of conventional wisdom." This is my 36th year in the business. Pretty much all of the bottoms are the times when things started getting better for us, is when we were viewed as almost imprudent in the things we do.

Certainly a year ago, we received lots of comments on coal, and lots of comments on gold miners, and lots of comments on Russia and Brazil, and, of course, they've been the places to be. We think that it continues to be the more idiosyncratic the better because even in this highly valued market, there are lots of opportunities. Even for the things that started to work for us over the last three and a half years, it's not been a good time for value investors.

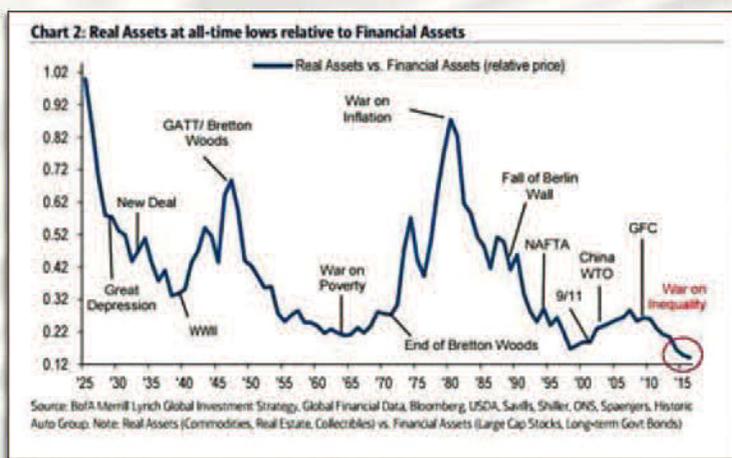
So emerging markets were good, but they are lower than they were when we came into business three and a half years ago. Russia is lower than it was three and a half years ago. Gold is not only lower than it was three and a half years ago and way lower than it was six years ago, but for the fifth time in the last six years gold has finished the year horribly. The second half has been really bad; gold miners all the more so. It gets frustrating watching those gains disappear, but that is good as we look forward.

What is encouraging, pretty much nothing worked the last three and a half years, and somehow we were able to add a little value along the way. Over the last three and a half years, the fund is up around 11%. That's 3.5% a year. Now, we're not bragging. As a matter of fact, we're quite disappointed by 3.5% a year; not good at all. But we are encouraged that, in 35 years there's been three really bad years in my career. Two of them were in

We Were Able To Add A Little Value Along The Way



And It Isn't Just Uranium



the last three year period. So you throw in two of the worst of three, throw them in there, and we ended up doing a lot better than the bank.

For Bloomberg and others, it seems like we're better than the average global manager. So, with what's been a horrible environment for our style of investing, we'll take it. Where we go from here, who knows? But I think this does show, as we've said all along, that volatility is not risk for long-term investors, volatility is opportunity. As long as people didn't sell at the bottom, they're fine. If they bought more at the bottom, they did quite well. Volatility is a problem for short-term mindsets. It's a good thing for long-term mindsets.

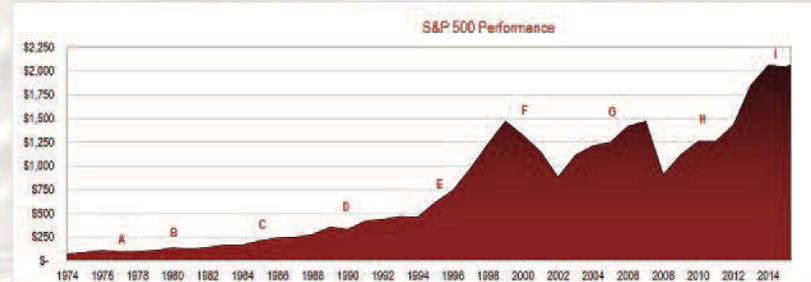
At any rate, the past is the past. It's the future that matters to all of us. We don't know what the future will bring, but logic and history suggests that when you can buy things at depressed values, good things happen in the future. While last year was a

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The Market is Top Down – We Take What it Gives Us

| Sector | Historical S&P 500 Weightings | | | | | | | | |
|----------------------------|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1977 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2010 | 2019 |
| Consumer Discretionary | 16.5% | 10.6% | 15.6% | 12.8% | 13.0% | 10.3% | 10.8% | 10.8% | 12.9% |
| Consumer Staples | 11.1% | 7.7% | 10.4% | 14.0% | 12.8% | 8.1% | 9.5% | 10.8% | 10.4% |
| Energy | 15.9% | 17.1% | 12.6% | 13.4% | 9.1% | 6.6% | 9.3% | 12.0% | 8.8% |
| Financials | 6.1% | 5.0% | 7.3% | 7.5% | 13.1% | 17.3% | 21.2% | 16.1% | 15.6% |
| Health Care | 4.7% | 6.5% | 6.2% | 10.4% | 10.8% | 14.4% | 13.3% | 10.9% | 14.3% |
| Industrials | 9.9% | 8.7% | 10.7% | 13.8% | 12.6% | 10.8% | 11.4% | 11.0% | 10.1% |
| Information Technology | 10.7% | 13.0% | 15.7% | 6.3% | 9.4% | 21.2% | 15.1% | 18.7% | 20.8% |
| Materials | 12.2% | 13.1% | 8.5% | 7.2% | 6.1% | 2.3% | 3.0% | 3.7% | 2.6% |
| Telecommunication Services | 7.4% | 4.5% | 7.2% | 8.7% | 8.8% | 6.5% | 3.0% | 3.1% | 2.6% |
| Utilities | 6.5% | 4.2% | 5.8% | 6.2% | 4.5% | 3.8% | 3.4% | 3.3% | 3.4% |
| | A | B | C | D | E | F | G | H | I |



Source: Bloomberg

good year, I must confess, and many of you remember, my favorite area a year ago was uranium, which has had yet another horrible year. It just seems to, until lately, have gone down, down, down. Has it gone down because the thesis is broken – didn't work? No. All the evidence is to the contrary.

So, the price of uranium has gone down to the lowest it's been in a long time. And there's only been a few times in over half of century that have gotten down to these levels. So, that's interesting. Like I said, is the thesis broken? No. There are 20 plants being built — a lot more plants, 60-some odd being planned, but 20 being built: five in India, three in Korea, four in the UAE, and various others around the world. And like I say, a lot more of them in the planning process. So that's bullish. Demand's going to grow.

Supply, you can see at the bottom of this chart, mine production, which has been insufficient for many, many years, was made up by secondary supplies. This shows that going forward, even including secondary supplies, we should fall way short of the amount of uranium that's going to be needed. Also, I think the world's starting to wake up to this. Kazakhstan, which has quadrupled their production over the last, I think, 6, 7, 8 years, they finally said, "Enough of selling this below the cost of production," and they've cut back on production.

Cameco has cut back their mines by 10%. And there's been utilities and non-utilities out there seeking bids to take down supply. So, I think people are starting to realize that if it costs \$75 a

pound to bring on supply, it shouldn't sell at \$17. Now it's back to \$22 and on its way up. The long-term price is still below \$40, which is just astounding. That's probably turning and the stocks seem to be responding nicely. They had a bad day yesterday, based on short-term earnings guidance, but that of course has nothing to do with the value of what 30 years of uranium in the ground is worth. So, that continues to be a great area.

But it's not just uranium. This was in *Barron's* a number of months ago, and now I've seen it a lot of other places, real assets relative to financial assets. You see that peak that says, 'War on Inflation.' That's when I came into the business. What a beautiful time to come in. It was just stocks and bonds had pretty much just gone up for 35 years. And it's been nice. But that's because assets had inflated to really high prices, and bonds and stocks had been beaten down to really low prices, and yet good things were happening.

People cared about money supply, they cared about inflation, they cared about encouraging investment and those sort of things, and it turned out all very well. Now we're back at the other extreme. Now there is not a war on inflation, there's a war on deflation. They won their war on inflation. I imagine they're going to win their war on deflation. Ben Bernanke was right; when you have a printing press, you will get inflation. But with or without inflation, real assets are cheaper than they have been, relative to the financial assets, than any time in recorded history here. That we think is very encouraging.

Maybe we've evolved to where we don't need resources any more. Maybe, it seems highly unlikely that. We have a series of maps, I'm just showing you one, from the beginning of time until 1900, 1.3 billion people ended up on the planet. And in the following 115 years, up pops another 6 billion. That's a lot of people. It continues to grow. While the amount of people have grown really, really fast, the amount of money has grown faster, the amount of debt's grown faster.

What has not grown is the amount of gold, and the amount of oil, and the amount of uranium, and the amount of farmland, and monopoly businesses and what not. We believe that it's good news that other technologies will gain share and there'll be solar, and there'll be wind, and there'll be other things. But people need resources, and resources are at going-out-of-business sale sort of prices. We think that's good.

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Another take on sort of the same thing, and we've showed this to you in the past also, but, back when I came in the business, energy and materials put together, were 40% of the index. At the real peak of the few years, it got closer to 50% of the index, that's too much. And we've talked about in the past that when things get too big, it's too much supply, it weighs on future returns — it was best to avoid those industries.

It was best to avoid Japan in 1990, when it became half the index. It was best to avoid technology when it became a third of the index in 1999. Best to avoid finance when it was a third of the index, in 2007. The U.S. market, I think, is 54% of the all country world index; enough said. If you look at some of the areas that people liked in 1980, at the time they should have not liked them, they all like them now. Now energy is less than 7% of the index. Materials are less than 3% of the index. There are some real outliers here.

And then, of course, as I discussed earlier, it's not just industries, it's emerging markets that are really, really cheap. So, we're in an environment now where we have a portfolio that's 15x earnings, and those are depressed earnings. A lot of these mining companies don't even have the mine working yet, the earnings will come later. It's a discount at book value, where the all-country world index is much pricier. And in the U.S. index is not only 23x earnings, but that's 23x high margin earnings, where margins are roughly double normal. So, if you equalize margins, the U.S. market is very, very expensive.

So cash will do what it's going to do. Bonds are going to do what they're going to do. They don't yield a whole lot. We have our predictions, but our predictions aren't important. It doesn't really matter, what matters is, is there a place to make some meaningful money? A year ago, we showed you this same slide where we showed even more upside. We showed two, three, five times upside. It seemed outlandish. It's something that, as I mentioned, I had never done in my career. Fortunately, a lot of the stocks have gone up three, four, five times since then, so we've lowered it to 50%, 100%, 150% because that's the upside we see in a lot of the companies in the portfolio.

Whether it happens or not, or when it happens, we don't know, but in a world where bonds pay 2-3% percent and cash pays nothing that continues to be the case. If you can buy really good companies that provide transportation to the world, communica-

Bifurcation Equals Opportunity

| Characteristics | | | |
|----------------------------------|----------------------------------|-------|------|
| Market Exposure as of 12/31/2016 | Median Market Cap (USD Millions) | P/E | P/B |
| KOPERNIK GLOBAL ALL-CAP STRATEGY | \$1,790 | 15.21 | 0.72 |
| Source: Bloomberg | | | |
| | Median Market Cap (USD Millions) | P/E | P/B |
| MSCI ACWI INDEX | \$6,020 | 20.78 | 2.13 |
| MSCI USA INDEX | \$13,703 | 23.18 | 2.89 |
| Source: www.MSCI.com | | | |

tions to the world, food to the world, energy to the world — those sort of things — and buy them at a huge, huge discount to what it would take to replace these assets, we believe it is when — not if — these things get around to going up 50% or 100%.

And with that, let's save a lot of time for Q&A. Thank you.

Operator: And ladies and gentlemen, if you would like to ask a question, please signal by pressing *1 on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is *1 to ask a question. We'll pause briefly.

We'll take our first question from Trey Tune with Brown Advisory.

Trey Tune: Yeah, hey Dave, thanks for the call. Two quick questions. You've been doing this in the same style for a long time. Is your return stream, or this environment today, more volatile than you remember it being in years past? Or is this not at all different? And then secondly, when things do appreciate a lot, what, if any, disciplines have you developed around trimming positions? It sounds like the portfolio is pretty cheap, so sell discipline may not be the right question. But I'm just curious, when you do — when the sun does shine like this, how to you approach reallocating capital from things that have won, to things that have not yet won, like uranium? Thanks.

Dave Iben: Thank you. Volatility is a fascinating subject, something we spend a lot of time thinking about because we know that the whole industry now views volatility as risk. Everybody looks at

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Sharpe ratios and all these things we think are misguided. Where we don't think volatility is risk, we do think it's a factor causing short-term pain for all of this, so it is important.

But, one other side comment, the whole concept of investing in low volatility to us is, I think we agree with Jeff Gundlach and others who view this as one of the more dangerous things to ever come along. I understand investing in value. I understand investing in growth. I understand the concept in investing in momentum. I understand quant. I understand a lot of things. The idea of investing in low vol. Would you buy today? Oh, I'd buy it at low vol. What is that? I mean, a company — does it produce something?

And then to apply that to your question, there's been areas that are more volatile and there's been areas that are less volatile. And we firmly believe that what has been really volatile is going to be low risk, and what's been low vol is going to be high risk. Let me explain. If something is slowly but surely going higher, that's low volatility. If it keeps doing that for a long period of time, it gets to a very high level.

If, as we and Warren Buffet and Howard Marks and Templeton and all kinds of people believe that price is really the most important factor of risk, then things that have slowly in low volatility gotten to very high levels, one of these days they're going to get slammed. They will prove to have been very risky. They will fall big. They will then be considered volatile. It will be too late, and that will be permanent loss of capital.

As Howard Marks also explains, that risk is about price. So, if things are really cheap, they might seem risky, but they might actually not be risky. He uses the idea of bonds that are all in default, every one of them. He said if you can buy them \$0.10 on the dollar, you're probably going to get \$0.30 on a workout, so it's very low risk.

If price is ultimately what matters, people are paying high prices for low vol. And they are so disgusted with high vol. things that they're selling them to us at 70% above because we just demonstrated. Heck a year ago, we were buying some things at 15% of replacement value. Now many of them are up 4-5x, that's volatility too. When things go up 4-5x, that's volatility. So, I think, volatility, people are looking at it wrong.

But to your question, I think high beta stocks have been more volatile, that certainly we did not expect

the beating we took the end of 2014. That, fortunately, turned out to be temporary. But, that sort of volatility I haven't seen. On the other hand, the Federal Reserve and the Central Banks of the world have done everything they can to dampen the volatilities of recessions, and dampen the volatility of short-term earnings of big companies and support bonds, and to keep volatility of businesses and cycles dampened.

I believe you can short-term suppress the laws of nature but you can't defeat them. And so, I think the things that have been really volatile will be less volatile, and the things that have been really low volatility, will be very high volatility. Maybe self-serving, but I think the logic supports it.

Sell discipline — hopefully I won't go a long time on this too, but it's an important question. We are very, very disciplined. We do not buy any stock until we've analyzed it, understood the industry, understood the business the best we can, the key drivers. And then we use various multiples to come up with a theoretical value. We then insist upon putting a risk adjustment: how big a margin of safety do we want on it. Bigger in some things; some management sees some countries need bigger discount. And we come up with a risk-adjusted intrinsic value.

If that number might be \$30 and we're able to buy stock at \$20, we'll own a couple percent of that. It's got 50% upside. We do not buy at \$20 and sell at \$30. We say 50% upside's something we like, but it's only 2%. If that stock goes up two or three points, the upside's not 50%, it's 33%. Let's take it down to 1.5%. If it gets to \$25, let's take it down to 1%. If it plunges to \$18 or \$17, let's take it up to 2.5% or 3%.

So, we don't have a lot of turnover of names. We don't even have that high turnover in the portfolio, except for times like in 2009 and 2002/2003. But we have lots of trims and adds every day the trading desk is trying to trim a little bit of things that run up, and add a little bit of things that have fallen. Now when things run up, they usually pretty quickly become a much smaller part of the portfolio. But because a year ago, Russia, Brazil, gold miners, those were the cheapest things I have seen, ever.

And I came into the business when I was — it was a 16-year bear market. I have never seen anything that cheap. These things running up two, three, four, five times, we still have pretty big weightings on them, but we have trimmed, and trimmed, and

trimmed, and trimmed, and trimmed, and trimmed. We do not let momentum run, we trim. We almost always sell too early. We recently rode SkyWest Airlines from \$6 to \$30, sold it and it went straight to \$37 but we trimmed all the way up. That's how we do things. We're very, very disciplined. And we tend to buy too early, and we almost always sell too early. But over the long term, that works.

Trey Tune: Thank you.

Operator: We'll take our next question from Gary Magnuson with Morgan Stanley.

Gary Magnuson: Hi Dave. Say, I saw on page 31 that you have pictures of nuclear energy and hydro-electric dams. Then you've got one that looks like a bunch of smartphones. Is that Samsung? Or is that something you own in technology? Or, can you talk about that space?

Dave Iben: We have the phones, but what we own is Korea Telecom. And at various points in time, we've owned other telecom companies. Rarely have we owned the phone manufacturers. It can be a really good business. We were not smart enough 12 years ago to own Apple and Samsung, but they were the big winners. Almost everybody else has been a loser. So, it's a tough business, we'll buy them at the right price. And if Samsung were to fall in half again, great. But we do like the concept of — going back three and a half years, we've made money on China Mobile. We've made money on the Italian phone company, which after we sold it, it's come back down. Korea Telecom's acting better lately. So, we tend to. Some industries all move in tandem. But telecom is something that country by country, one can be going up and one can be going down. Heck, four years ago, NT&T in Japan was one of our biggest holdings. But, yeah, it's the service providers, not the handset manufacturers.

Gary Magnuson: Thanks.

Operator: We'll take our next question from Michael Favorite with Cantella and Company.

Michael Favorite: Hi Dave. I feel a little bit honored and humbled to be in your presence. So thanks for listening to my question. You talked about coal repeatedly and with tomorrow we get a new President and perhaps some regulatory changes. Has that changed your view on coal one way or the other?

Dave Iben: It has not. I'll expand a little bit. We're

value investors. We also like to look at risk and return on a portfolio basis. In 2008/09, with gold companies, and over the last year with coal and other resource companies, during both periods we had a couple companies that hurt us pretty badly. And over both periods we ended up making a lot of money just because things were selling at \$0.10 on the dollar. And some of them went up four, five, six, seven times. So that's worked.

Coal's gone up quite a bit. I mean, my attorney here says I can probably state my opinion that I think Peabody's management should be in jail, instead of getting 10% of the equity of the new company. They filed pretty much at the bottom. Of course, they levered up right at the top. If they had just hung on a little bit, the stock would have been up huge. But whatever, that's the reason we diversify. And fortunately we did, on Consol and Cloud Peak and China Shenhua and various non-coal energy factors.

More specific to your question we pay attention to politics, but we don't make predictions. And we wait for society to make huge predictions. And if they're predictions are maybe semi-right, but way off the kilter, then we buy good companies. And so, I always point out, even though it was several decades ago, that when Lula became president of Brazil, people hated this. They thought this guy is going to be a Communist, and turned out he wasn't that bad. And so we made a lot of money on good companies. We bought South Korea when people were afraid of North Korea. We point out all the time we didn't need to be bullish on Obama and his healthcare to want to buy healthcare companies. When everybody was sure that he was the death of the healthcare business, that's when we bought the healthcare business.

A year ago, I don't know that I've ever seen anybody hated as much as Putin. I think they hated him worse than Stalin and Hitler. And he may not be a good guy but he's not Stalin and Hitler, and that gave us a chance to buy some companies that are five times higher now. And Trump, it doesn't matter whether I like or don't like him. Full disclosure, I didn't like either candidate. But the U.S. will muddle along. But we look at everything bottom up, we value companies.

We found a lot of good companies in the U.S. We liked them. They went up and up and up and by a year ago, we weren't finding very much in the U.S. And then based on an election, people spent about three or four hours thinking that this was the end of our economy, and then instantly decided that our

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economy is fixed. Instantly, the market goes screaming to all-time highs. And almost any valuation you have — any valuation you can come up with, this is one of the three most expensive markets in the history of mankind. And so, he had better be really good.

For us, we sold a lot of the few companies we still had left in the U.S. We don't have much left anymore. This is not saying we don't like him. This is saying we don't think he's going to turn out to be God any more than Putin turned out to be Satan. I think the market is too bullish, so there's nobody that can justify the valuations on many U.S. stocks. If everything I'm saying is completely wrong, that doesn't matter because what's important is we are finding great valuations in Brazil, and Russia, and Canada, and Korea, and Japan. And those are good companies. And so, that's where we're focusing our time.

Michael Favorite: Well, thank you Dave. And we'll ask you, if Real Vision calls you and asks for another interview, please do it. So, anyway...

Dave Iben: Thank you, we're big fans of Grant Williams. He does a great job. And people that don't Real Vision, take a look.

Michael Favorite: Great, thank you again.

Operator: We'll take our next question from Mark Johnson with RBF & Company.

Mark Johnson: Thank you so much for the call today, David. You discussed that you guys are going to be doing a soft close. Can you differentiate between soft and hard? What's your translation on that?

Dave Iben: Thank you for bringing that up. I should have mentioned that. The hard close prevents people from putting money in and out. If people later decide they want to make a big investment or if they want to take money out for tax purposes and put it back in later, it's frozen. They can't put in more, where a soft close is much friendlier. That saying, people that are already in the account, they can grow with us, and we'll work with them. They can take money in and out as they need to meet their needs, but because we don't want the portfolio to get really big, we're not allowing new clients to come into the portfolio. And that's as of the end of March. And so anybody that has any money in there on March 31st is welcome to put money in and out as they see for the foreseeable future. It's just people who aren't in by March 31st, 2017.

Like I say, it'd be more profitable for us just to wait and bring in another billion and hard close, but we don't want to do that to people. I think this is inconvenient enough for people, and we apologize for that inconvenience. But, we've put the prospects of the portfolio and the client first, and this feels like the right thing to do.

Mark Johnson: Thank you for that. I also wanted to let you know we really appreciate your investment newsletter. It's probably the only newsletter over two paragraphs that I read, and yours is substantially longer. But any good books that you might reference on patience, given your style, would also be beneficial. Thank you so much.

Dave Iben: I well no thank you, and hopefully we can get the next letter out in the next month or so. They take me a while, but thank you.

Operator: As a reminder ladies and gentlemen, it's *1 if you would like to ask a question. We'll take our next question from Andrew Sachis with West Capital Management.

Andrew Sachis: Hey, how's it going, David? So, I hear what you've been saying this whole time about when you came into this business, you weren't in the macro trade game, basically. And a lot of what you do is great stock picking. And so I'm just wondering why you never considered maybe a long/short fund and how come you never — like, for example, owning a gold miner is essentially taking a short bet on the dollar. So that, in itself, is kind of a macro call. So have you everything thought about hedging that?

Dave Iben: As you suggest, we're in the business of analyzing and appraising things. You can come up with a value, and we like to buy them when they're trading below that value. To your question, if the market wants to price something three or four times higher than we think its worth, why not short it? Absolutely.

We don't really advertise it but we have a long/short fund. Had one for a while in 1999–2000 that did pretty well. And then we had one back in the Tradewinds days, but we had \$40 billion or whatever we had there. It never got bigger than \$250 million. We've had one here since day one, three and a half years ago. We just really haven't really bothered to market it, and I don't want to spend a lot of time on it on this call. But, it's long/short but our goal is not to dampen volatility — that shouldn't surprise anybody. Both the

Tradewinds, where the performance was really good but really volatile. There was a few bad years — and here, we did not do well a few years ago. It's come back nicely lately. We like it, we think long only and long/short are something people should think of in this era, where bonds don't pay anything anymore. But we do have it. We just haven't really spent much time on it. Thank you.

Andrew Sachis: Yeah, thanks.

Operator: We'll take our next question from Kim Ip with First Republic.

Kim Ip: Hi Dave. It's nice to hear your voice. Thanks for taking my question. I'm looking at page 11 of the slide deck. And it's most pronounced on this page, when you look at your International Portfolio, it looks as though you really do not favor positions in Europe at all, and then secondarily Japan, as well. Can you talk a bit about that? Because you would think that some of those multiples might be in your sweet spot. But is it just that the companies aren't domiciled there that you like? Or is it a valuation decision? Or a combination of the two?

Dave Iben: Yeah, great to hear from you too, and good question. Everything is about valuation. So, to your question, you would expect to see more from Europe, and you probably will. Europe, for a while has value but almost value trap. You had enough companies that had nice dividend yields but it was at the expense of their balance sheets. And the euro was strong a few years ago. With the euro falling, and the British pound getting walloped, and some stocks getting cheaper, we are starting to look at Europe more.

Japan, it comes and goes. We get opportunities. That is one of the areas where you will see a little more Japan in the Global All-Cap than you will in the International because some of the real values in Japan are small stocks. I would think over time you'll see Japan become a bigger part too. And especially if emerging markets keep rallying while Europe doesn't, you will see that pickup.

We've said for the last couple of years, we like Europe and Japan, but we love Canada and emerging markets. And then the U.S., we thus far incorrectly have thought it wasn't a good place to put a lot of money. So if Canada and emerging markets keep outperforming Japan and Europe, you will see that change shortly. And it is, of course, company by company by company. We don't ever say, well,

we've decided we like Germany now. We find companies that just happen to be in Germany that get cheap, and we buy it. And so, I know you've zeroed in on the areas we're starting to notice again.

Kim Ip: Great, thank you. And then a second question if I may. I think you talked about the discount to NAV that you're seeing in your portfolio today is, I think, low double digits or so. Can you confirm that, and also compare that to what the greatest discount was come off the trough of the portfolio's performance?

Dave Iben: The trough of the portfolio's performance, that one is easier. Like I say, that slide I showed a year ago is audacious. I really don't do that but we did think, at that time, that our emerging market utilities were at 5x what they were selling at, and sometimes 7x. For our gold companies, we had values that were 5–10x what they were selling at. That by far was the cheapest portfolio of my entire life.

As far as exact numbers, for various reasons, we don't disclose that. The portfolio is, of course, nowhere as cheap as it was before it went up 70% off the bottom. But we still are finding decent upsides in mostly resources and emerging markets. And so there are plenty of things that we still think can double from here, plus or minus. But it varies a lot from sector to sector. Also varies a lot from month to month as the market bounces around.

But I would say, as I did three and a half years ago when we started this business, I said I think we got lucky because some of these things have been getting cheaper for a number of years. And the market looks on the more attractive side of what I've seen. And then we got walloped from there. Now everything has bounced right back to where we were. So, I think that a year ago was a Godsend.

I've never seen anything like it, and this is one of the more attractive ones I've seen in my life. This is in line with three years ago, in line with the early 1990s, and in line with 2003, in line with the early 1980s. We see fairly significant upside. It's on a number of the upsides are smaller names, which is the International you see here is very much like Global All-Cap, but it holds a lot more cash. People should be aware of that. Like a lot of the value investors you know, we are holding on to the cash until we find the things to buy.

Kim Ip: And what are your cash balances in the Global and the International? That's my last question.

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Dave Iben: Roughly, five and thirty-five.

Kim Ip: Oh, quite a difference. Okay. Well, thank you very much, Dave, I appreciate it.

Dave Iben: Right, thank you.

Operator: We'll take our next question from Brian Bernhardt with UBS.

Brian Bernhardt: Oh, sorry, I wanted to make sure my mute was off. Hey Dave. Number one, thanks for taking the question. Number two, thank you so much for closing the fund. It's rare that we have giant industry managers that put the shareholder first, and actually do the right thing and close the fund. My only question for you — and I'm not sure you can actually answer it — is, what areas out there look interesting outside of the stuff that you own now? Is there any sectors or countries that you're looking at in particular, or is that proprietary information you can't really give out?

Dave Iben: I can't give out much. Obviously, we can't say what we're about to buy. I can say there's a few of the frontier Asia and developing Asia that are looking good. So we are looking at some companies there that are sort of growth companies at value prices. So you might see something there.

Technology seems to bounce all over the place, as we don't have much in technology. But, to be in and out of things like Pandora, Yandex, or Japan Digital is one that we just sold out of because they got taken out. Technology, you never know from one day to another but the opportunities come and you've got to be ready to jump. And we have a very experienced, very good technology analyst.

Within the materials, we have as much as we want to own there, but it is interesting how people have talked about Trump. Going into that, our companies who had less base metals were doing better. All of a sudden, boom the base metal ones slide up. They're all gold, but we were able to trim some of the ones that happened to have some copper, and roll into the more gold ones. That's a good opportunity.

We're looking at a couple transportation names in Asia that might be interesting. But, yeah, I think Asia probably. And then, as I mentioned earlier, there's some of the basic companies in Europe are getting on our radar screen. And Japan, we're always looking at.

Brian Bernhardt: Thanks very much. Once again,

always a pleasure. Appreciate it. I'm local so if you every want lunch or a beer, don't hesitate. And as usual, appreciate the management. Great fund and great team you guys got. So, I'm very happy to be an investor.

Dave Iben: Well, thank you very much. Appreciate that, and sounds good.

Operator: We'll take our next question from Darren Morningstar with Morgan Stanley.

Darren Morningstar: Hey Dave, just a quick question on Peabody. I don't understand why that stock is still trading with a BTUUQ symbol up and down, like it has. It's been pretty volatile between the dollar and like \$18 mark over the last, let's say, three months. Could you just, kind of, talk to that and why that's even trading above a dollar, or not trading at zero?

Dave Iben: I can speculate. As we see the world, the company got themselves in quite a bind. And they took on too much debt and they were losing a lot of money. And we figured that they only had three or four years to turn things around. They panicked in February and, in my words, stole the company from the shareholders. Got in cahoots with some big hedge funds and said, "How do we transfer the wealth from equity holders to the bondholders?"

Certain equity holders, I think, didn't like that, and I think there were various rumors on: could the equity people stand up for themselves? Because there was hundreds of millions of dollars' worth at hand, they did not need to file. So I think there was probably rumors on whether the equity holders would have any luck with the judge — that's one thing.

People saw the other coal companies run to the moon; that was part of it. The Trump election had people thinking maybe things will be better for coal, and maybe some of these things will be unwound. So, all along, it's been — under everything we know, this is going to go to zero. But since it's probably worth lots and lots of money, maybe something good can happen and maybe somebody can stop this travesty from happening.

But I think now the market's more thinking, nothing's going to stop it. Things are moving along. And it'll be interesting to watch. Peabody and Arch, and there's various other coal and gas and energy companies where this is happening. And it's starting to get a common thing. We believe fully that if you get over-levered and you can't make your pay-

ments, you blew it. The creditors can take your business, or your stock, or your house, or anything away from you. When you're several years from having to miss a payment, it is inexcusable. And because it's inexcusable, I think there's a number of people hanging on to hope that this gets reversed – improbable but possible.

Darren Morningstar: Okay, hey thank you very much Dave.

Dave Iben: Thank you.

Operator: And we'll take our final question from Niley Shrestha with Oppenheimer & Co.

Niley Shrestha: Hey Dave. Thanks for taking my call. I noticed in your top 10 holdings, you don't have Sberbank, the Russian bank. And I'm wondering if this transacts to a smaller position? And the second question is you'd mentioned you're looking at some companies in Europe. Have you taken a look at any financial companies in Europe?

Dave Iben: Sberbank, we think is a really good bank. They have massively dominant market share, and they have growth. And they have high profitability and decent balance sheet. And they are taking advantage of the weakness of some of the smaller banks in the country. So, we loved it when we could buy it at 75% of book value. That was a wonderful thing. It's probably worth two, three, four times book value. But, as it's run up and up and up and up, we've trimmed and trimmed and trimmed and trimmed. We still have a meaningful position, but it's no longer one of our top positions.

The same thing can be said for some of the Russian utilities that have had big moves. We continue to trim them back nicely. And then things that refuse to go up for us, like Gazprom, we continue to like a lot, and hold a lot of. But, yeah, just the earlier question on our trimming methodology, we consis-

tently pare things back, lower the model weights as they go up. And was there a second part?

Niley Shrestha: Yeah, I was just wondering if you were looking at any financials in Europe.

Dave Iben: Yes. After Brexit, we were quickly looking at a bunch of the British banks thinking, they got their problems and Brexit causes uncertainty. But life tends to go on. We were doing a lot of work on it. They took off but we tend to be slow and thorough. We would rather miss out on winners than jump in too soon and permanently lose frivolous capital. We were too slow on the British banks. Same thing on the Korean banks; we were looking closely at them. Now and then we've owned Japanese banks.

For the big European and big U.S. banks, they are so hard to analyze and so leveraged. They have such bizarre assets and derivative books that are multiples of the economy. We would buy them at very, very distressed and for good or bad, when Deutsche Bank, and the Italian banks, and others were at the bottom, we didn't have the stomach for that. So, unlikely we buy those. But we do like the niche situations we can get now and then. And a lot of the banks we've owned in the past have tended to be emerging market banks.

Niley Shrestha: Okay, thank you.

Operator: And that will conclude our question and answer session for today. I'd like to turn the call back over now to Dave Iben for any additional or closing remarks.

Dave Iben: All right, well, once again, you know, it's been a difficult couple of years. We thank everybody for hanging in there. We feel encouraged, and thank you all very much for calling in. We'll talk to you again in three months.

David Iben is the managing member, founder and chairman of the Board of Governors of Kopernik Global Investors. Named for Mikolaj Kopernik, better known by the Latin spelling, Nicolaus Copernicus, Kopernik Global Investors is an employee-owned global equity investment management specialist organized to ensure a culture of client success. Reprinted with permission from the January 19, 2017 Conference Call with investors..

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