



UPDATE ON RUSSIA/UKRAINE EXPOSURES

August 2, 2022 (Revised)
(Update to the March 10, 2022 document)

Kopernik condemns Russian actions in Ukraine. We believe that war is not good for anyone, and our hearts and prayers go out to the people of Ukraine. Wars are generally waged by governments, not by people. We do not condone most military actions, nor do we seek to profit from them. At the same time, when markets are depressed because of misguided government decisions, history suggests that it is best to invest in the good people and companies domiciled in most countries.

Kopernik's investment thesis has always required a large margin of safety for investments in Russia, Ukraine, and other emerging markets. Although the situation in Ukraine has continued to develop, our investment approach remains the same. Our bottom-up, fundamental research process determines what we believe a company is intrinsically worth. We then discount this value using a company specific risk-adjustment score, which we call our "certainty of value" score. The less certain we are of our intrinsic value estimate, the larger the discount we require. Furthermore, we only buy when we are getting significant discounts to this risk-adjusted price. The Russian companies held in our portfolios tend to be high-quality, cash-flowing businesses with strong balance sheets. These companies are trading at low single digit multiples of earnings and significant discounts to book value. Thus, we believe we are being well compensated for the risk.

Below are the recent Russian/Ukrainian exposures in the Global All-Cap and International Strategies:

	Portfolio Weight as of Dec 31, 2021		Portfolio Weight as of Feb 28, 2022		Portfolio Weight as of Mar 9, 2022		Portfolio Weight as of Jul 31, 2022	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Kopernik Global All-Cap Strategy ¹	13.36%	2.90%	8.84% ²	1.76%	3.59% ³	1.43%	5.06% ⁴	1.59%
Kopernik International Strategy ¹	14.98%	0.69%	11.6% ²	0.49%	4.23% ³	0.52%	7.35% ⁴	0.59%
MSCI All-Cap World Index ⁵	0.40%	-	0.18%	-	0.12%	-	-	-
MSCI All-Cap World Index ex USA ⁵	1.03%	-	0.46%	-	0.30%	-	-	-

¹ The information presented is based on the data of a representative account that is reflective of the strategy. Holdings and performance of individual accounts will differ based upon, among other things, account restrictions, timing of transactions, and corresponding management fees. All accounts in the same strategy are managed uniformly, subject to client guidelines, utilizing a model portfolio.

² Representative account exposure reflects Kopernik's fair value pricing for local Russia security holdings as of 2/28/22.

³ Representative account exposure reflects Kopernik's fair value pricing for local Russia security holdings and Russia GDR/ADR holdings as of 3/9/22.

⁴ Representative account exposure reflects Kopernik's fair value pricing for local Russia security holdings and Russia GDR/ADR holdings as of 7/31/2022.

⁵ MSCI, Inc. reclassified Russian indexes from emerging markets to a standalone status, including in the MSCI All-Cap World Index and MSCI All-Cap World Index ex USA, effective March 9, 2022. The Ukraine Index was reclassified from frontier markets to standalone status in August 2015





Kopernik purchases and sells shares of companies primarily on the secondary market. Profits or losses from our purchases are absorbed by the seller of the shares, not by the company itself or the government. Prior to the war, Russian holdings held in our portfolios were traded as local shares in Russia and as depositary receipts (DRs) in London. In May, the Russian government passed a law that would require the de-listing of DRs on foreign exchanges and the conversion of those DRs into local shares. When DRs are converted to local Russian shares, these securities will go into a segregated custody account in Russia. Various Russian companies have been allowed to keep their DR programs abroad, but the situation continues to develop. The Moscow Stock Exchange (“MOEX”) re-opened at the end of March, but foreigners were prohibited from participating in the market. Trading remains limited only to residents of those countries Russia considers friendly. As it stands today, the Russian market has been effectively frozen since February 28, 2022, and we have not been able to trade Russian securities since that time.

In addition to restrictions on trading from the Russian government, certain companies domiciled in Russia are also subject to limitations by U.S. sanctions. As of June 6, 2022, the Office of Foreign Asset Control (OFAC) published new and amended certain Frequently Asked Questions (FAQs) stating that U.S. persons are prohibited from any acquisition of both new **and existing** debt and equity securities issued by Russian entities. The FAQs also stated that U.S. persons are not required to sell or divest of Russian debt or equity securities and can continue to hold previously acquired securities.

The exposure as of July 31, 2022, includes a 70% fair value pricing haircut that we have applied to Russian securities. As we have commented elsewhere, many in the industry have priced Russian securities at zero. It is our belief that valuing these securities at zero or, conversely, not applying any discount cannot be justified. With this in mind, Kopernik established a methodology for fair valuation and applied it to Russian holdings which resulted in the above mentioned 70% haircut.

In comparing the most recent portfolio weights as of July 31, 2022, note that the ruble has appreciated approximately 122% since its multi-year low on March 9, 2022. While other factors impact the Russian/Ukrainian exposures in the strategies, this appreciation of the ruble is the main driver for the increase in the Russia weightings between our March document and this update.

It is still a risk that we will be forced to divest our shares by Western and/or Russian governments. As we have described in our webinar discussing Geopolitical Risk, such actions would harm U.S. investors while benefitting the government of Russia, which has expressed intentions to buy at discounted prices.

Kopernik continues to actively monitor the situation for new developments and the potential impact to our clients and investment products.

Kopernik Global Investors

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The exposure information presented is based on the holdings of a fully seasoned representative account that we believe is reflective of the strategy. Holdings and performance of individual accounts will differ based upon, among other things, account restrictions, timing of transactions, and corresponding management fees.

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we may describe or imply. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements. We do not intend to update these forward-looking statements except as may be required by applicable laws. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. As a result, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements.





Please consider all risks carefully before investing. An investment in a Kopernik strategy, or any other vehicle using the same strategy, is subject to many risks including sudden changes in general market valuations and market liquidity. Investments in small and mid-capitalization companies also tend to involve greater risk and portfolio price volatility than investments in larger capitalization stocks. Further, investing in non-U.S. markets, including emerging and frontier markets, involves certain additional risks, including potential currency fluctuations and capital controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity, less disclosure, and the potential for higher market volatility, share expropriation, confiscatory taxation, and social, economic and political instability. Further, investments in energy and other natural resources companies tend to be greatly impacted by developments in global commodities markets, which can be more volatile than equity markets.

Countries worldwide have experienced outbreaks of infectious illnesses and may be subject to other public health threats, infectious illnesses, diseases or similar issues in the future. Any spread of an infectious illness, public health threat or similar issue could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and generally have a significant impact on the economies of the affected country and other countries with which it does business, which in turn could adversely affect investments in that country and other affected countries.

The MSCI All Country World Index is an un-investable index of over two thousand primarily large and mid-cap companies across 23 developed and 27 emerging market countries as of December 31, 2021. The MSCI indices returns do not reflect any management fees, transaction costs or expenses. The MSCI All Country World ex-USA Index is an un-investable index that captures over two thousand primarily large and mid-cap companies across 22 developed and 27 emerging market countries as of December 31, 2021. The MSCI indices returns do not reflect any management fees, transaction costs or expenses. Individuals cannot invest directly in an Index. Past performance is no guarantee of future results.

Investors should carefully consider the fund's investment objectives, risks, charges, and expenses before investing. For this and other information, please call 1-855-887-4KGI (4544) or download a free prospectus at www.kopernikglobal.com. Read it carefully before investing.

