

# CAPITAL GAINS & ORDINARY INCOME DISTRIBUTION COMMENTARY

Dear Kopernik Investor,

As gold rallied in 2024, we were patiently waiting for gold stocks to begin to rally alongside. This price move began in March. The materials sector was the largest contributor to returns and we harvested gains as our gold mining holdings increased relative to risk-adjusted intrinsic value. However, due to many of these businesses being organized as Passive Foreign Investment Company's ("PFICs"), realized and unrealized gains are treated differently for tax purposes. For PFICs, realized gains are reclassified into ordinary income and unrealized gains are marked to market annually and must be distributed as income, which is unfortunate. Roughly half of the ordinary income distribution is due to the PFIC realized gains reclassification and marking to market of current PFIC holdings.

Separately, the Funds had significant investment income from several holdings during the year including KT Corp, LG Uplus, Kazatomprom, CK Hutchison, Halyk Bank and Petrobras that makes up the majority of the other half of the income distribution.

On the capital gains side, we realized significant gains in several holdings including: Gold Fields Ltd, a South African gold miner with mines in five countries, CGN Power Co, the largest nuclear power producer in China, Petroleo Brasileiro SA, a large, low-cost oil producer in Brazil, Wheaton Precious Metals, a precious metals royalty and streaming company, KT Corp, South Korea's second largest mobile phone company, and Hyundai Motor, a South Korean auto manufacturer. Specifically in the Global All-Cap Fund, we realized significant gains in Harmony Gold Mining Co, a large South African gold miner and upon the exit of SkyWest Inc, the dominant regional airline in the United States. We were able to offset these gains with losses taken in holdings such as West Japan Railway Co, Korea Electric Power Corp, LG Uplus Corp, Lotte Chemical Corp, Carrefour SA and Dundee Corp. In addition, we were able to offset long-term gains in the Funds due to losses incurred from the S&P 500<sup>1</sup> put options. Because these options were on a U.S. index, 60% of the gains/losses are automatically considered long-term.

As we noted last year, we are still unable to transact in Russian securities and the closure (to "unfriendlies") of the Russian market and the existing unrealized losses meant that we were unable to conduct "tax trades". For example, in normal times we could have taken losses on Lenta PLC and bought Magnit PJSC (a substitute company), waited a month and unwound the trade. The majority of the unrealized long-term losses in the portfolio are Russia-related. This clearly inhibits our ability to offset gains in other areas. We continue to actively monitor the situation.

We appreciate your support and are happy to discuss further.

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<sup>1</sup> The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States as of 9/30/2024.



## Important Information

Mutual fund investing involves risk, including possible loss of principal. There can be no assurance that the Fund will achieve its stated objectives. Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the Fund's prospectus. Investments in foreign securities may underperform and may be more volatile than comparable U.S. securities because of the risks involving foreign economies and markets, foreign political systems, foreign regulatory standards, foreign currencies and taxes. Investments in foreign and emerging markets present additional risks, such as increased volatility and lower trading volume. For more information on the Kopernik Global All-Cap Fund, call our toll-free number at 1-855-887-4KGI or email [funds@kopernikglobal.com](mailto:funds@kopernikglobal.com).

Portfolio holdings are subject to change without notice and may not represent current or future portfolio composition. Issuer weights are calculated as a percentage of net assets. Sector data reflects Global Industry Classification Standard (GICS) classifications. Country classification primarily based on MSCI classification (Bloomberg Country of Risk classification when MSCI is unavailable).

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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.

The top ten holdings of the Kopernik Global All-Cap Fund as of September 30, 2024, are as follows: 1. KT Corp (4.9%), 2. Anglo American Platinum Ltd (3.2%), 3. LG Uplus Corp (3.2%), 4. K+S AG (2.7%), 5. Southwestern Energy Co (2.7%), 6. Impala Platinum Holdings Ltd (2.6%), 7. CK Hutchison Holdings Ltd (2.5%), 8. Newmont Corp (2.4%), 9. Golden Agri-Resources (2.4%), 10. NAC Kazatomprom JSC (2.4%).

Please consider all risks carefully before investing. An investment in a Kopernik Fund, 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.

The Fund may purchase or sell options, which involve the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk. For instance, a long put position would ordinarily realize a gain if, during the option period, the value of the underlying securities decreased below the exercise price sufficiently to cover the premium and transaction costs. However, if the price of the underlying instrument does not fall enough to offset the cost of purchasing the option, a put buyer would lose the premium and related transaction costs.

**Past performance herein should not be construed as an accurate indication of future returns.**

**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](http://www.kopernikglobal.com). Read it carefully before investing.**

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