

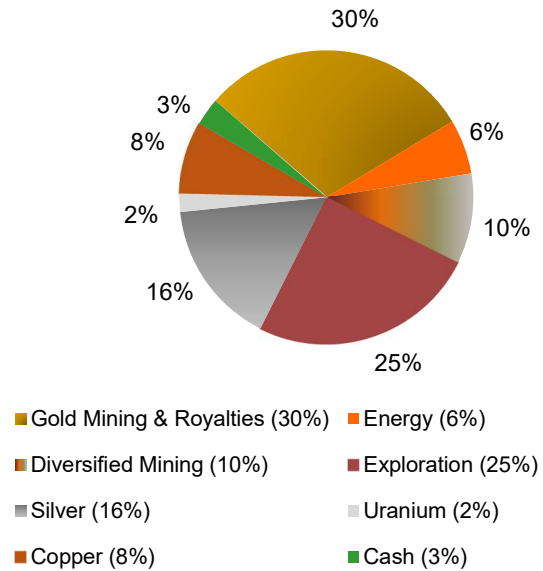
RESOURCE ACCOUNTS

Resources are an essential ingredient of life. There is a secular trend towards higher demand, with growth in Asia and other “emerging” areas. China is a dominant consumer of many commodities, including oil and copper (#1 in the world in both). Because of both supply and demand patterns, resources are extremely cyclical, providing opportunities for significant gains, as well as risks. Demand, though trending higher, can be volatile, while supply can be particularly erratic. Because of both supply and demand patterns, resources are extremely cyclical, providing opportunities for significant gains as well as risks.

Our Resource Accounts can invest in the broad range of resources, including paper and pulp, tea, palm oil, rubber, and water, in addition to metals, and oil and gas. At most times, however, the emphasis will be on producers of the metals, as well as quality exploration companies. Because of the cyclicity of resource markets, at various times, different commodities may dominate an account. We have been underweight oil and gas for some time now, for example, and have only very recently begun to step back into the sector. An investor should be prepared for considerable volatility which is inherent in this sector.

Outsized gains can only be achieved if one is prepared for this. The long-term factors remain intact. Demand from China and other industrializing nations will continue to grow, while there remains a paucity of major new projects for many metals after a brief period from 2011 to 2013 that saw a flurry of new mines. Now, as economies begin to emerge from the economic restrictions of 2020, led by China, demand has picked up again, with a particular emphasis on resource required both for infrastructure, and for electrification (of the power grid and of vehicles). We are emphasizing these resources, particularly copper, nickel and silver, in accounts, in addition to gold. Some, such as uranium, have moved too far too fast, we believe, though on a multi-year basis we expect the entire complex to be higher.

Account Allocation* 3/2021



Top Holdings

representative as of March 2021

Franco-Nevada

Orogen Royalties

Wheaton Precious Metals

Midland Exploration

Altius Minerals

Lara Exploration

Fortuna Silver

EOG Resources

EMX Royalty

Gazprom

*NOTE: This “allocation sheet” is intended to provide an idea of what a new account in this category might look like, based on current largest holdings and what we are currently buying. The 10 stocks listed are not necessarily our current largest holdings, nor would a new account necessarily include all these positions. The composition of the portfolios will vary for individual clients and is subject to change at any time at the manager’s full discretion. Prepared on March 27, 2021 for potential clients.

For more information regarding managed accounts at Adrian Day Asset Management, please contact us at: 410-224-2037
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