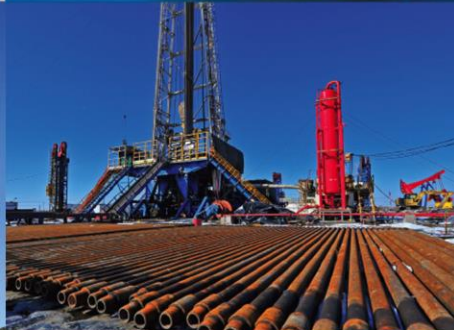




**LOWELL RESOURCES  
FUNDS MANAGEMENT**

ABN 36 006 769 982



# LOWELL RESOURCES FUND

Private Wealth Management APAC &  
Greater China Summit  
Macao, October 2018



Deep value equity fund focused on the junior resources sector





# Disclaimer



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FUNDS MANAGEMENT**

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# Fund Summary



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FUNDS MANAGEMENT**  
ABN 36 006 769 982

## Overview

Fund size (30 Sept 2018)	A\$19.3 m
Units on issue	2.8m units
Unit price (30 Sept 2018)	\$5.55
Options on issue	1.2m options
Number of unit holders	~500

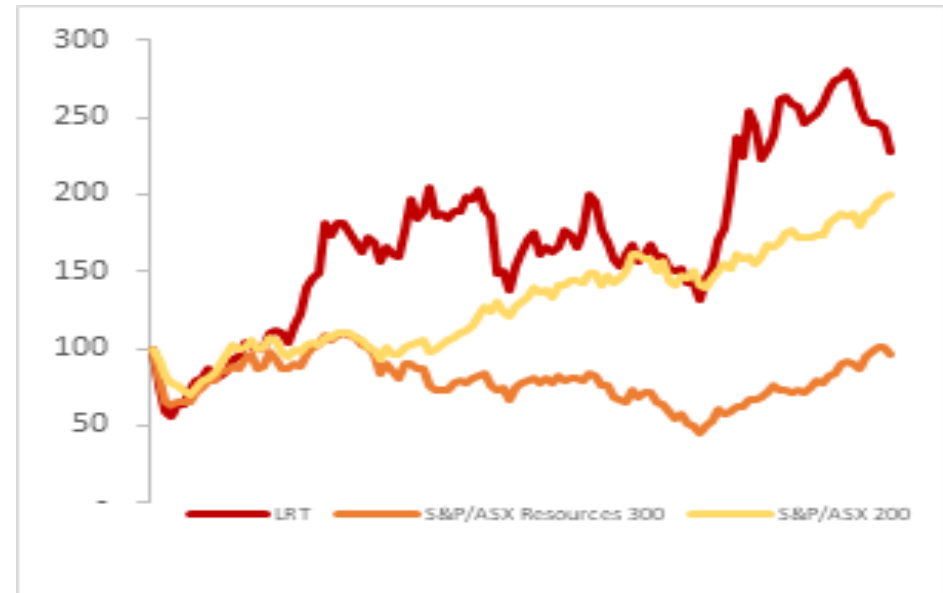
## Listing summary

Exchange	ASX
Code	LRT

## Characteristics of the Fund

Nature of Fund	Long only, absolute return fund
Investee Companies	Junior resource companies, including gold, base and specialty metals, & energy
Investment Type	Focus on global listed and unlisted resources equities
Distribution Policy	100% of taxable profits distributed annually

## 10 years of outperformance (net of fees)





# Experienced Investment Committee



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

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## **John Forwood, Chief Investment Officer**

*Joined LRFM in November 2016*

Mr Forwood is a qualified lawyer and geologist with more than 25 years experience in the resources sector. He has over 17 years of resources financing experience with RMB Resources, including 13 years as a Manager of the Telluride Fund. The Telluride Fund delivered average pre-tax returns of 28% for equity investing in the junior resources sector. Mr Forwood also has 5 years' experience in exploration and development geology in Australia, Tanzania and Indonesia. Previously, he qualified with a major Australian law firm to practice as a barrister and solicitor.



## **Richard Morrow, Investment Committee Member**

*Joined LRFM in November 2017*

Mr Morrow is an equity partner with Melbourne-based stockbroker Baillieu Holst and is honorary Chairman of the Melbourne Mining Club. He has more than 30 years' experience as a sharebroker in Melbourne and in London, with a particular interest in resources. Mr Morrow is a Master Stockbroker with the Stockbrokers and Financial Advisers Association and qualified as an accredited dealer in derivatives.



## **Stuart Baker, Investment Committee Member**

*Joined LRFM in July 2018*

Mr Baker brings a wide experience in valuation and analysis of energy companies. He has a strong local and international reputation for oil and gas E&P company coverage as a senior investment analyst, including 14 years with Morgan Stanley. In a career spanning more than 30 years, Mr Baker has also worked in senior research roles with BT Equities and Macquarie Equities. He crossed over to researching listed companies after gaining industry experience with international oilfield services group, Schlumberger.

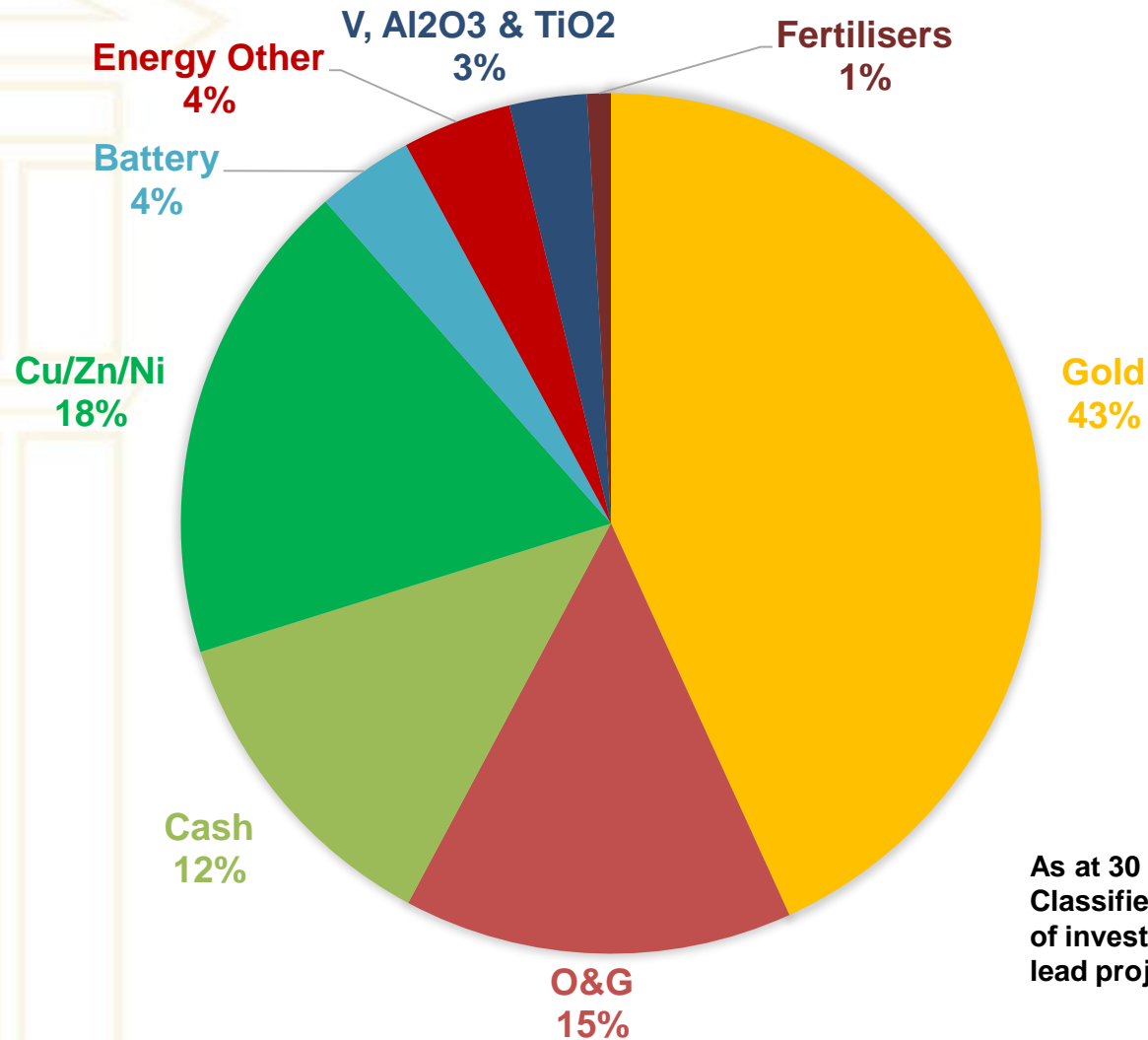


# Fund Investments by Commodity



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As at 30 Sept 2018.  
Classified by main commodity  
of investee company's  
lead project.

# Commodities vs Stocks

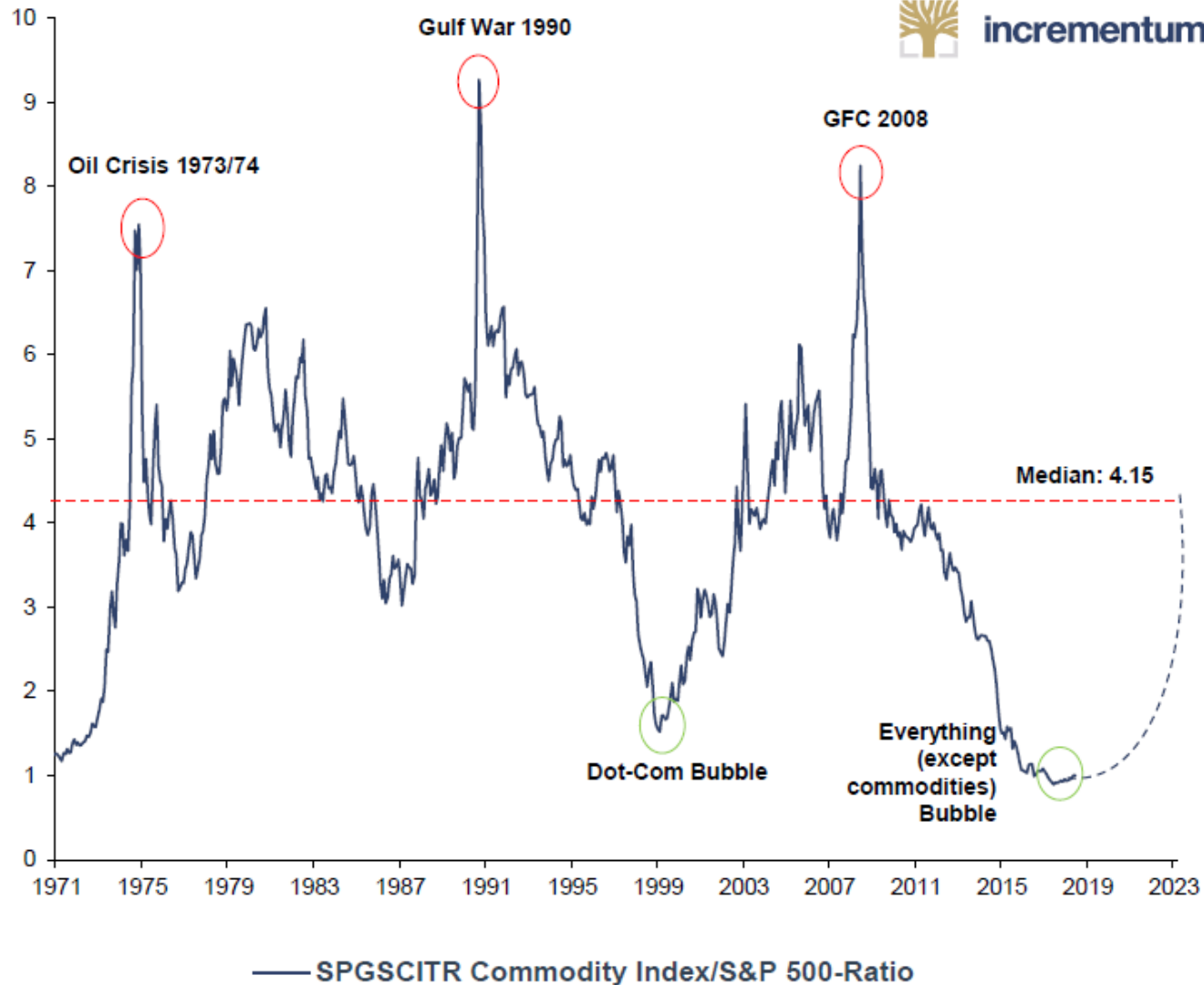


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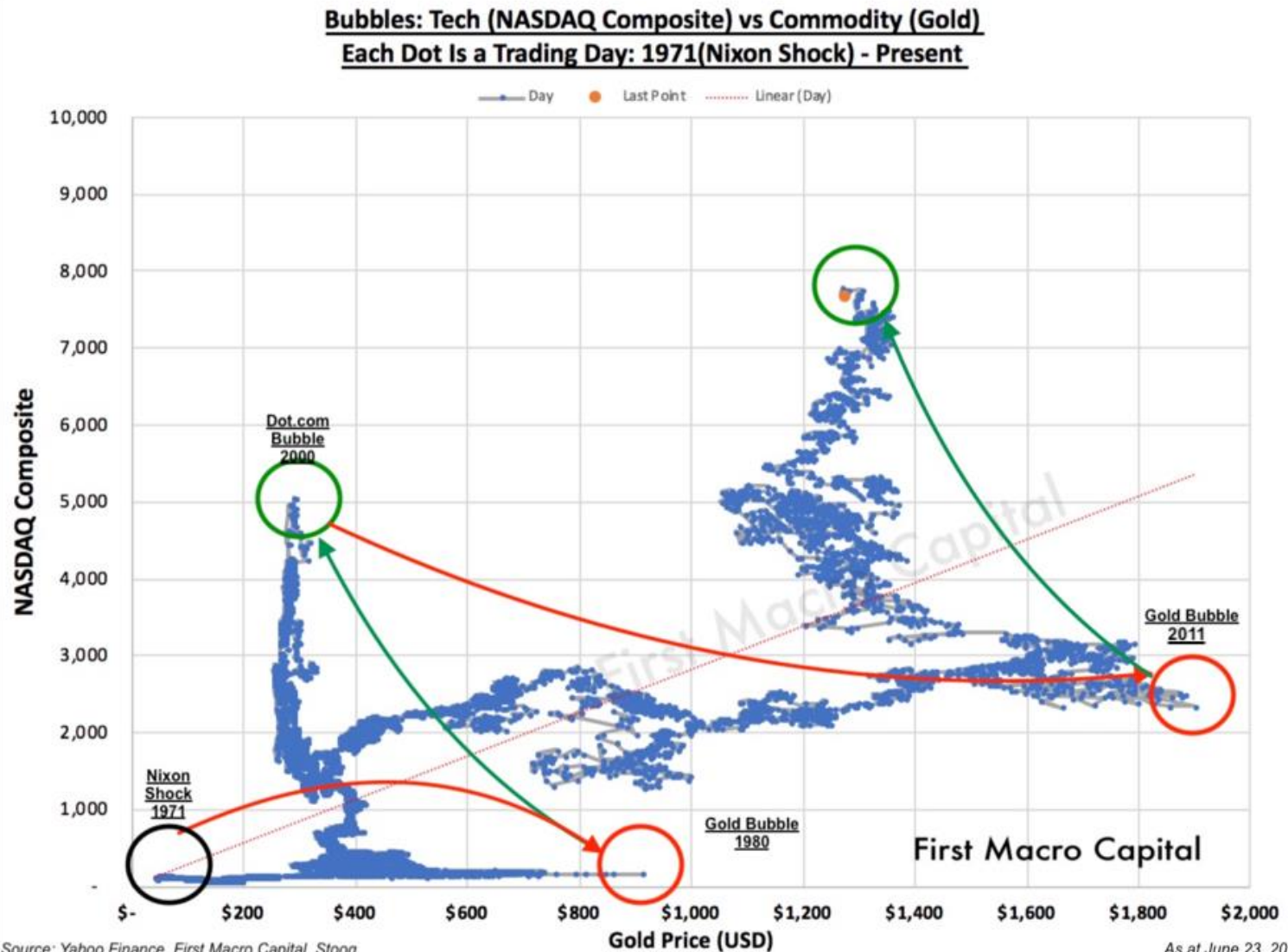


# Tech Stocks vs Gold Price



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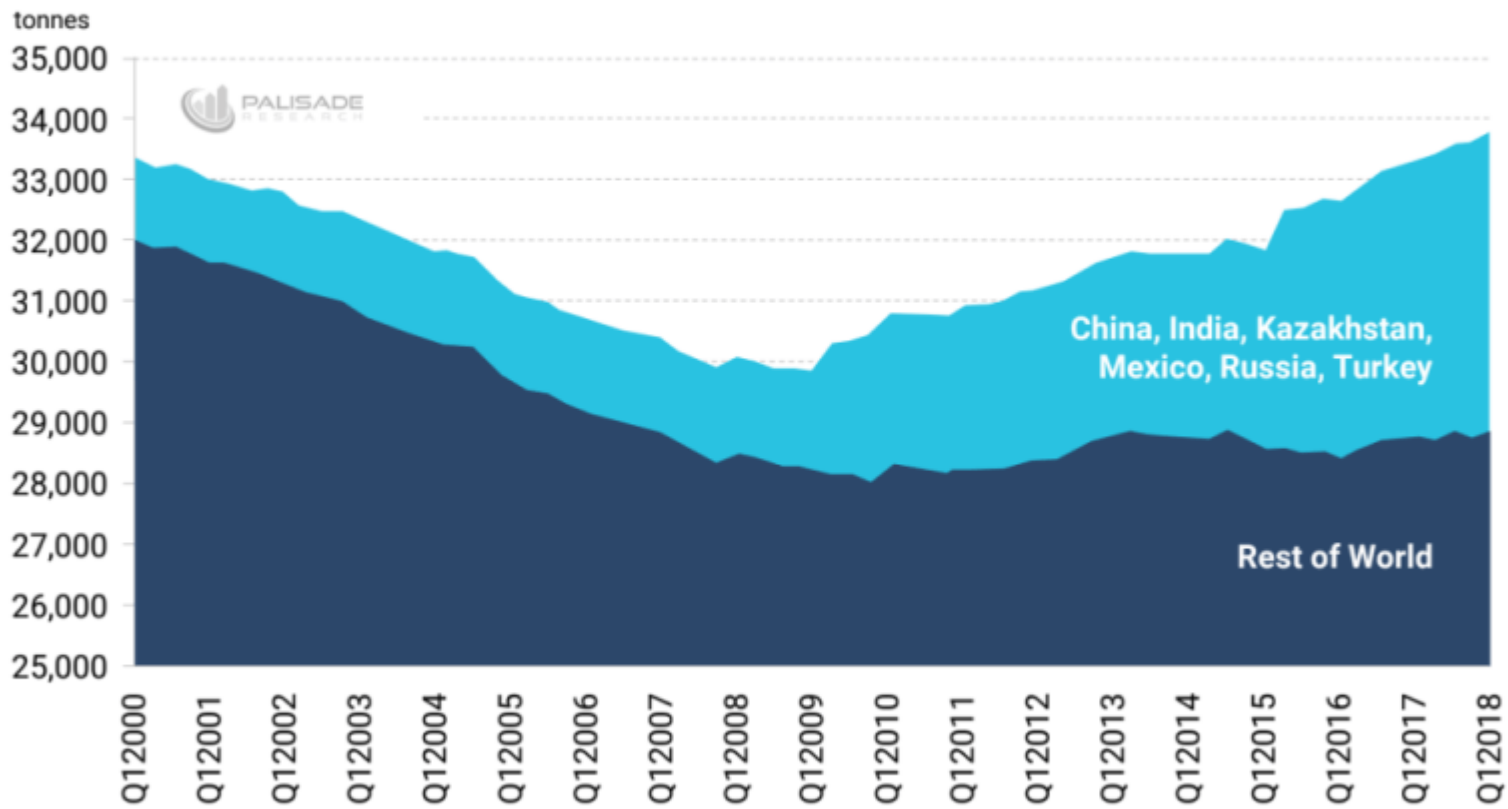
# Central Bank Gold Purchases



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## Central Bank Gold Reserves



Source: Gold Industry Group

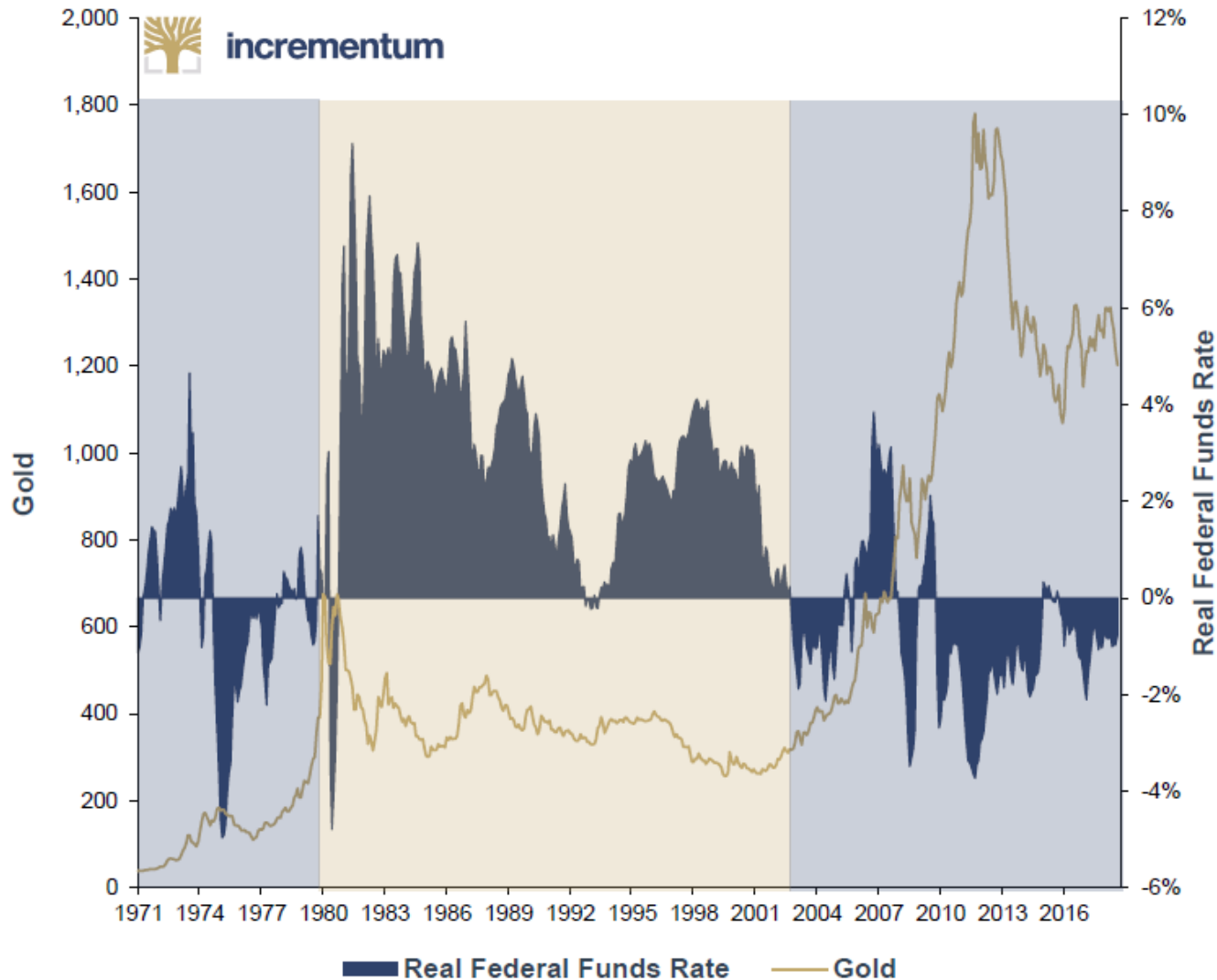


# US\$ Real Interest Rates Correlation to Gold Price



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Sources: Federal Reserve St. Louis, Incrementum AG

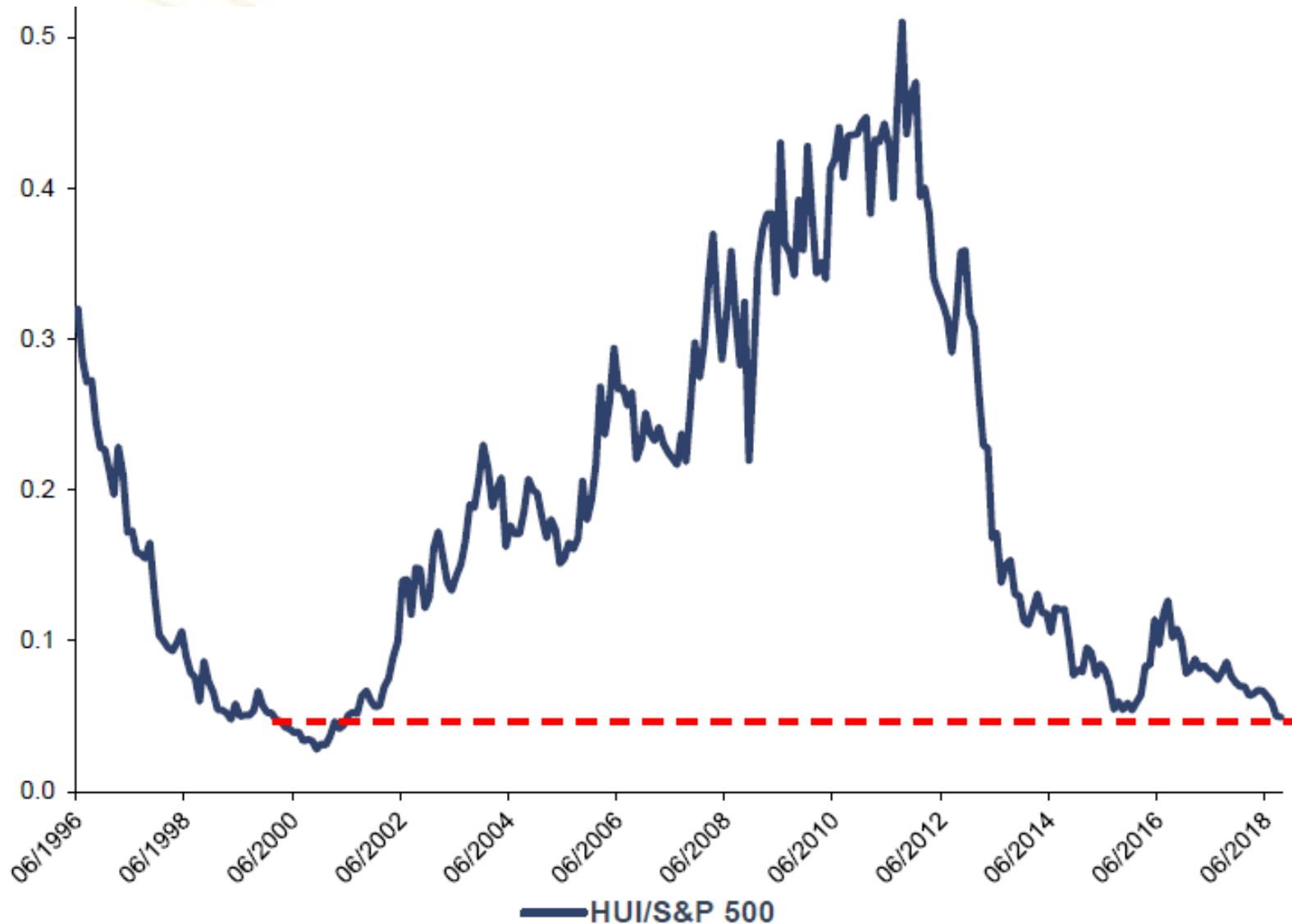


# Gold Equities vs S&P 500



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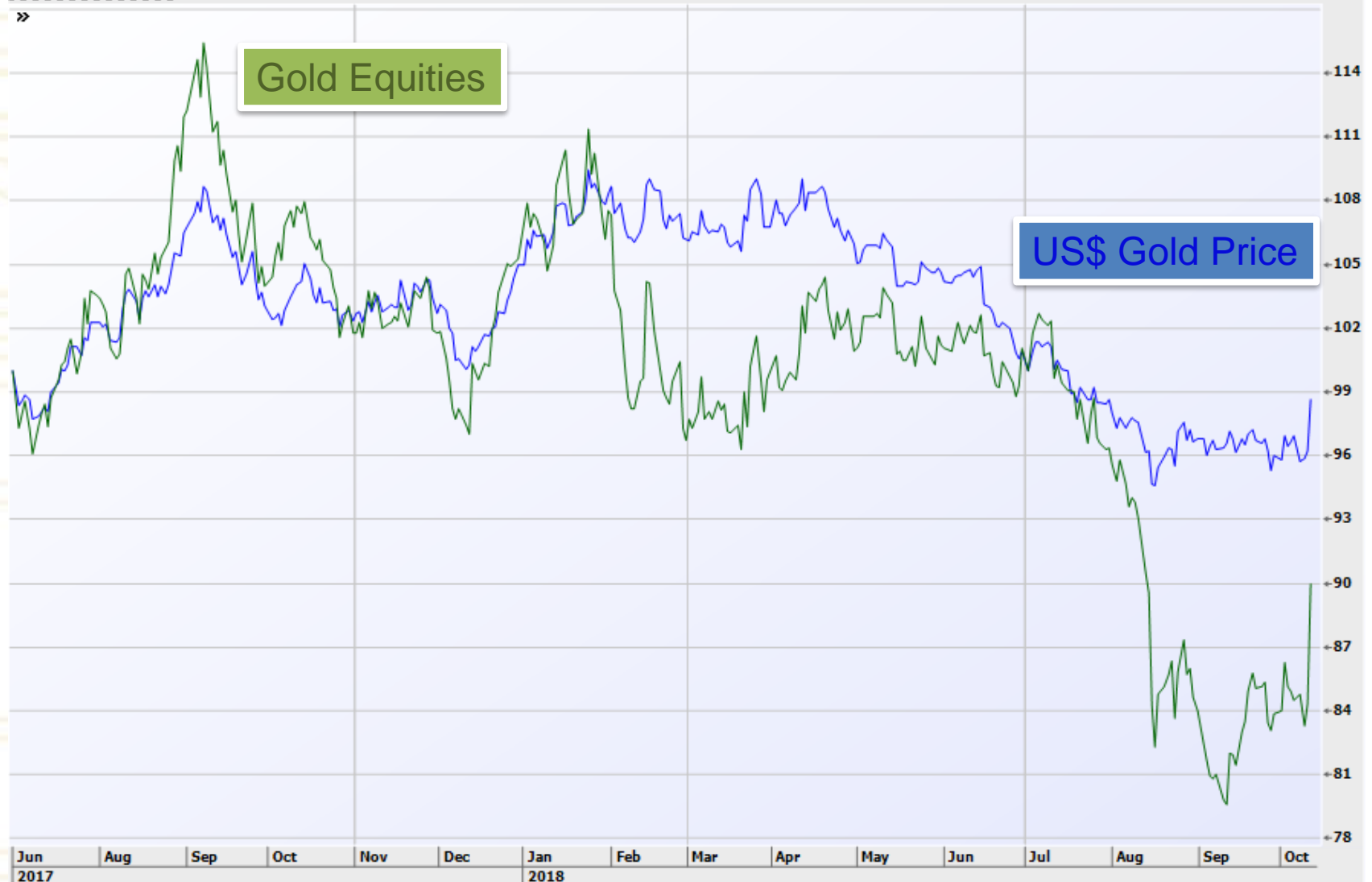
# Gold Equities Leverage



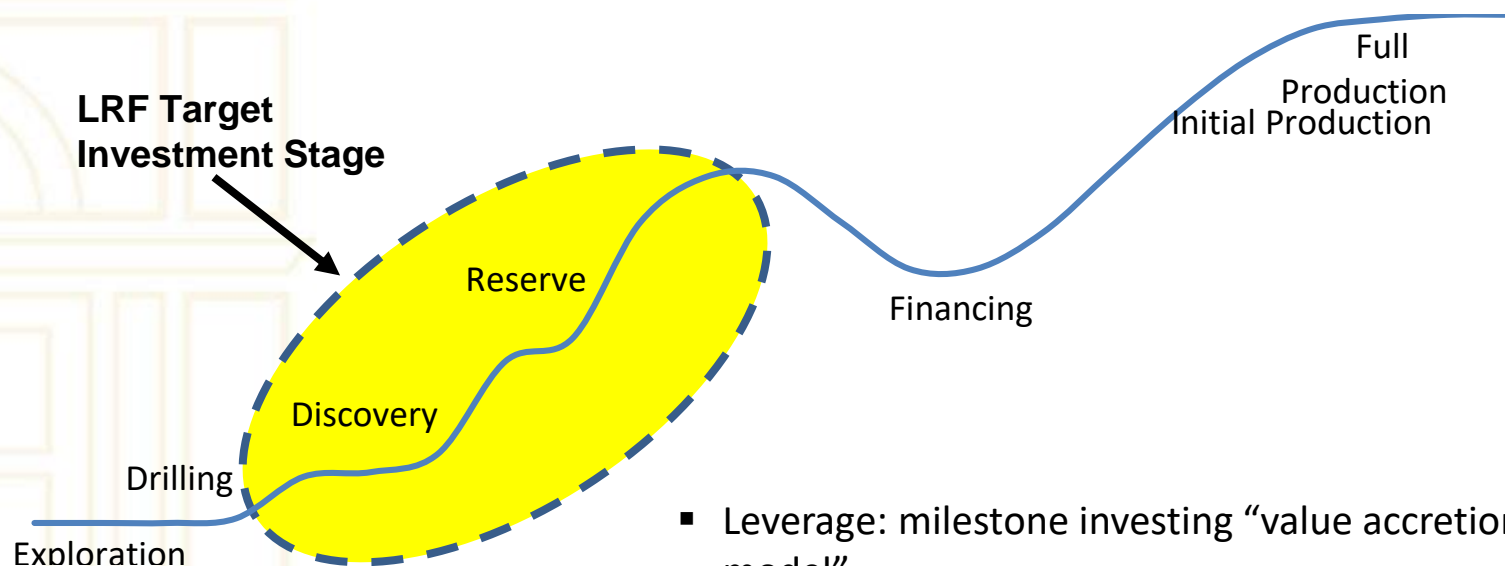
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CBase (SPTGLD.IF@IF): 98.633 CBase (GDX.ARC@USXD): 89.9909



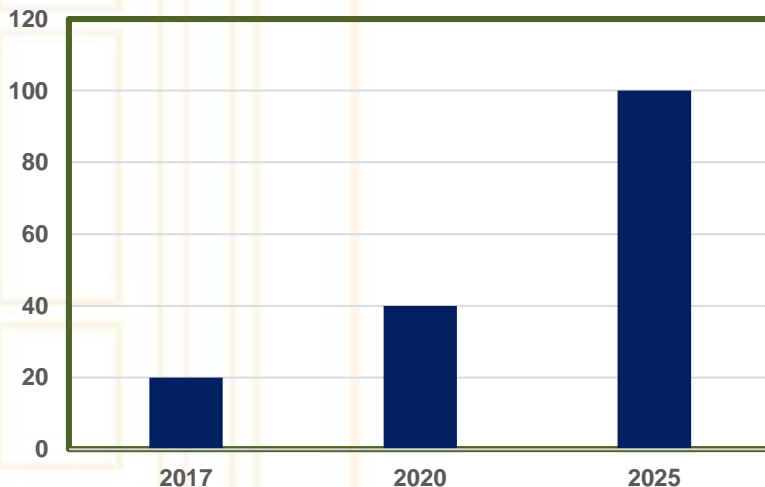
## Capitalising on value accretion: optimal stage



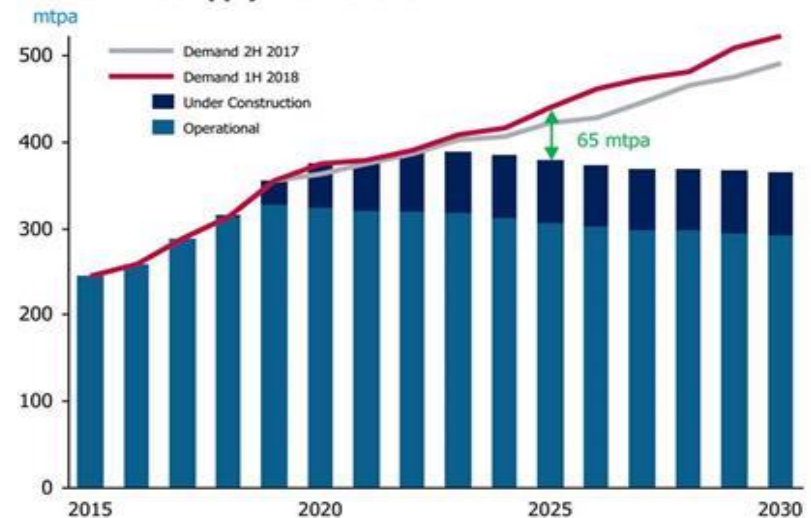
- Leverage: milestone investing “value accretion model”
- LRF focus is on the period from discovery to reserve definition

- China's government has recognised the importance of gas in its clean energy strategy. It has set an aggressive target with gas to account for around 10% of energy consumption by 2020 Morgan Stanley Oct 2018
- To achieve that, gas consumption needs to rise by more than 13% pa over the next two years: “a frantic growth rate”.

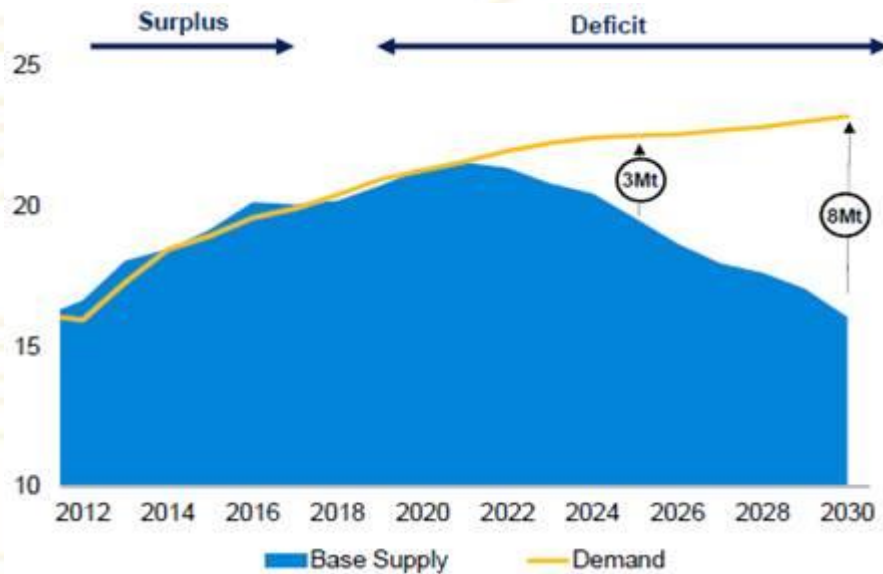
**Chinese Forecast LNG Imports Mt/a**



**Global LNG supply and demand**



## Copper



### Global Copper Supply/Demand Forecast

(source Rio Tinto, Sept 2018)

- M&A competition for copper deposits emerging
- Refined copper inventories decreasing

## Zinc 5 yr history



— Zn price — Zn stockpiles

- Major Zn mine closures in recent years (1Mtpa)
- Zn demand growing at 2.5-3.0% pa (400ktpa)



# Deep Value examples



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## Examples of Holdings in the Fund Portfolio

Investee Co	Commodity	Market Cap	NPV of Project	P/NPV
Ironbark Zinc	Zinc	USD\$19m	US\$1.034bn <sup>1</sup>	0.02
Technology Metals	Vanadium	USD\$24m	US\$1.3bn <sup>2</sup>	0.02
Cardinal Resources	Gold	USD\$117m	US\$586m <sup>3</sup>	0.20
Amarillo Gold	Gold	USD\$21m	US\$194m <sup>4</sup>	0.11
MOD Resources	Copper	USD\$60m	US\$281m <sup>5</sup>	0.21
Pacifico Minerals	Lead-Silver	USD\$6m	USD\$70m <sup>6</sup>	0.08

1 Citronen FS pre tax NPV(8) at US\$3,044/t Zn price

2 Gabanintha PFS pre tax NPV(10) at US\$13/lb V2O5

3 Namdini PFS post tax NPV(5) at US\$1,250/oz gold

4 Mara Rosa PFS post tax NPV(5) at US\$1,200/oz gold

5 T3 PFS base case pre-tax NPV(8) at US\$3.00/lb copper

6 75% Sorby Hills PFS 2014 pre tax NPV Pb: US\$2090/t, Ag US\$30/oz, 1AUD=0.90USD



# Investment Overview & Objective



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

ABN 36 006 769 982

## Overview

- Lowell Resources Funds Management Ltd (“LRFM” or “The Manager”) manages the Lowell Resources Fund (ASX ticker ‘LRT’) Portfolio, and has a successful track record for over 14 years
- The Manager operates through an Investment Committee which incorporates the experience and knowledge of individuals who have direct working experience in the minerals and energy industries, geosciences, broking, banking, and funds management
- LRT unitholders are provided with broad exposure to the junior mining and energy sectors in a Portfolio that is actively managed by the Manager in accordance with its investment philosophy and stock-selection criteria
- The fund is not frightened to take profits and will realise investments once targets are reached or can no longer be achieved

## Investment Objective

- LRT’s investment objective is to maximise absolute returns to its unitholders over the medium to longer term, along with **annual distribution payments of 100% of taxable profits**





# Historical Performance



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

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## Total shareholder return (TSR)

	LRT	Res 300	ASX 200
10 year	10.8%	2.2%	7.7%
5 year	4.8%	5.1%	8.2%
3 year	13.9%	22.4%	12.1%
2 year	-8.0%	23.3%	11.6%
1 year	-13.1%	29.2%	14.0%
9 months (to 30 Sept 2018)	-18.3%	11.7%	5.9%

<sup>1</sup>Investment performance figures reflect the historic performance of Lowell Resources Fund, net of fees

<sup>2</sup>S&P/ASX Resources 300 index and S&P/ASX 200 index have been used for comparison, which assumes reinvestment of dividends/distributions

<sup>3</sup>Methodology for calculating total return is based on MorningStar, which assumes reinvestment of dividends

<sup>4</sup>Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked

<sup>5</sup>Source: LRFM, S&P

**NTA: Sept 30, 2018 - \$6.86/unit (discount = approx 25%)**

*Note: historic performance or distributions are not a guide or indication of future performance or distributions*



# The Manager



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
ABN 36 006 769 982

## Lowell Resources Funds Management Ltd

### **Stephen Mitchell, Chairman**

*Joined LRFM in February 2011*

Mr Mitchell has over 30 years' experience in the resources sector with experience in management, corporate advisory and investment banking. As MD, Mr. Mitchell developed Molopo Energy into an ASX 200 energy company with projects in Australia, Canada, the US, Asia and Africa. Previously he was Chairman of Lowell Capital, the Responsible Entity for the Lowell Resources Fund, and had various corporate advisory/finance roles specialising in resources. He is currently Chairman of Indago Energy and Afton Energy. Mr Mitchell completed a MA in International Economics and Politics at Johns Hopkins University in the US.

### **John Forwood, Director & Chief Investment Officer**

*Joined LRFM in November 2016*

Mr Forwood is a qualified lawyer and geologist with more than 25 years experience in the resources sector. He has over 17 years of resources financing experience with RMB Resources, including 13 years as a Manager of the Telluride Fund. The Telluride Fund delivered average pre-tax returns of 28% for equity investing in the junior resources sector. Mr Forwood also has 5 years' experience in exploration and development geology in Australia, Tanzania and Indonesia. Previously, he qualified with a major Australian law firm to practice as a barrister and solicitor.

### **Richard Morrow, Director**

*Joined LRFM in November 2017*

Mr Morrow is an equity partner with Melbourne-based stockbroker Baillieu Holst and is honorary Chairman of the Melbourne Mining Club. He has more than 30 years' experience as a sharebroker in Melbourne and in London, with a particular interest in resources. Mr Morrow is a Master Stockbroker with the Stockbrokers and Financial Advisers Association and qualified as an accredited dealer in derivatives.

### **David Hobday, Director & Retiring Investment Committee Member**

*Joined LRFM in January 2004*

Dr Hobday is a geologist with diverse experience in oil and mineral exploration, applied geological research, corporate finance and investment. As a fund manager with APA Oceanic during the 1980s, Dr Hobday was responsible for investments in energy and gold equities. With Bank of America and then the Australian Bank he was involved in corporate finance, particularly applied to the resource sector. He has undertaken resource appraisal globally, and explored for oil & gas in the USA. He has served on the Boards of several oil and mining companies in Australia and North America.

### **Steven O'Connell, Director**

*Joined LRFM in March 2009*

Mr O'Connell has over 30 years' extensive finance industry experience in asset management, life insurance, custodial services, financial planning and superannuation (consulting, administration and trustee services). He has headed the compliance and risk management functions for several large multi-national asset managers. Mr O'Connell has been appointed company secretary for a number of asset managers, headed custodial operations for corporate actions, reconciliations and unlisted trust management and was a key person in the eventual sale of Mellon Australia's superannuation and administration consulting businesses in 2005. He has held Board positions at one of Australia's leading asset management companies, chairs Compliance Committees for leading asset managers and continues to be a Responsible Manager for a number of asset management companies.



# Recent Distribution History



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
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- As a unit trust, the LRF **must** distribute all taxable profits to unitholders

Distribution (financial year)	Distribution amount (A\$m)	NAV (pre distribution) (A\$m)	Distribution yield (%)
2011	1.5	16.5	8.9%
2012	0.5	17.4	2.8%
2015	0.4	13.4	3.3%
2017	1.0	20.0	5.0%

- Over the past 7 years, the LRF has made 4 distributions to unitholders
- The average distribution yield across the last 7 years has been 2.9%

*Note: historic performance or distributions are not a guide or indication of future performance or distributions*



# Fees

## Lowell Resources Fund



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

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The Lowell Resources Fund currently has the following management fee structure:

### Management fee

Note: this management fee includes fees paid to the Responsible Entity and Investment Manager. Since the LRF is structured as a unit trust, there are no director fees.

The higher of:

- a) A\$25,625 per month plus 0.63% per annum of Total Gross Investments ("TGI") of the Fund; or
- b) 2.16% per annum of the Total Gross Investments of the Fund if TGI is equal or less than A\$50m, and 1.65% per annum of the FUM greater than A\$50m.

Part of the management fee is on-paid to the Investment Manager and part is retained by the Responsible Entity.

### Performance fee

17.94% of the amount by which performance exceeds a base return of 10%, subject to a high-water mark

*Note: these costs are only estimates and costs actually incurred may vary*

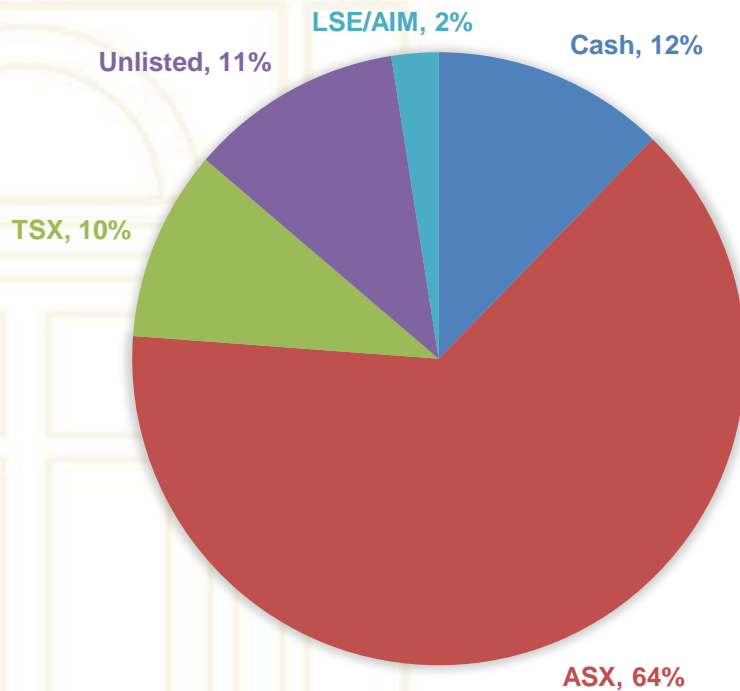


# Portfolio Characteristics

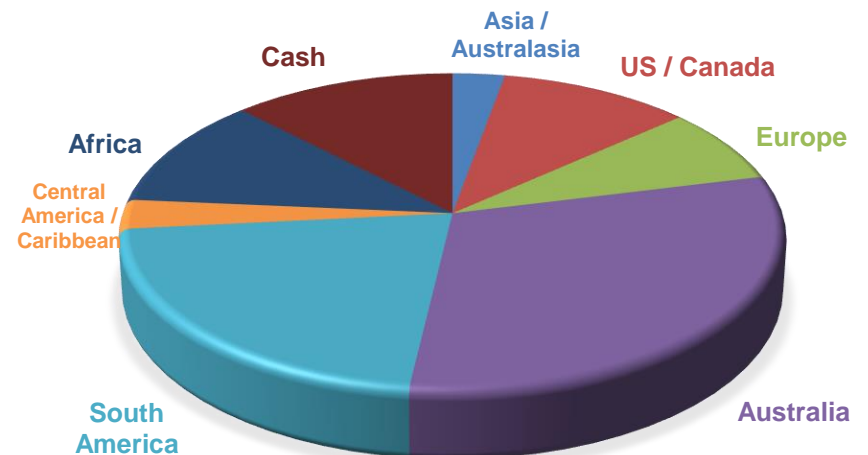


**LOWELL RESOURCES  
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## INVESTEE COMPANY TYPE



## GEOGRAPHY BY PROJECT





# Largest Investments – 30 Sep 2018



**LOWELL RESOURCES  
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Company	Commodity	Listing code	% of gross investments
Laguna Gold	Zinc/Gold	unlisted	9%
Gold Road	Gold	ASX: GOR	6%
Tinka Resources	Zinc	TSXV: TK	5%
Indago Energy	Oil & Gas	ASX: INK	5%
Cardinal Resources	Gold	ASX: CDV	4%
Adriatic Metals	Zn/Cu/Au/Ag	ASX: ADT	3%
Cash			12%

## Top down focus

1

- Macroeconomics
- Equity markets

2

- Market sectors
- Commodities

3

- Resource categories
- Individual stocks

## Criteria

- ✓ Management
- ✓ Geographic location
- ✓ Geological setting
- ✓ Resource/reserve magnitude
- ✓ Grade, metallurgy
- ✓ Stage
- ✓ Infrastructure and market
- ✓ Indicative economics
- ✓ Valuation
- ✓ Timing

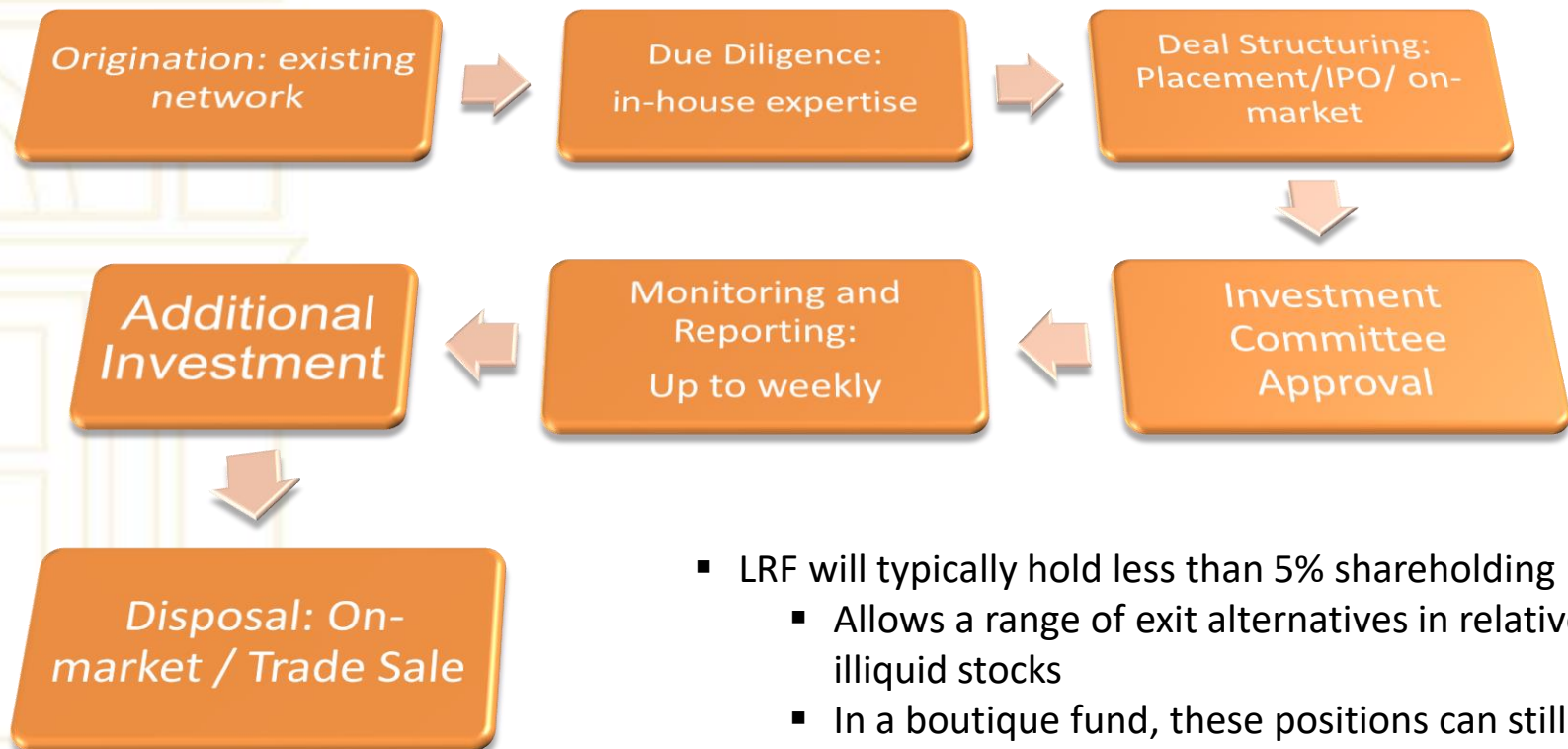


# Our Investment Process



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

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- LRF will typically hold less than 5% shareholding
  - Allows a range of exit alternatives in relatively illiquid stocks
  - In a boutique fund, these positions can still 'move the needle' for performance



# Case Study: Syrah Resources



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
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## Syrah Resources Limited (ASX: SYR)

- Australian-based industrial minerals and technology company, with a focus on graphite in Mozambique
- LRF's first investment in SYR was in December 2009, at around \$0.18/share
- Accumulated a holding of around 2.2m shares by April 2012
- Progressively sold down all exposure between June 2012 and April 2016
- Generated a realised gain of A\$7.7m, or 1802.9% total return on the investment





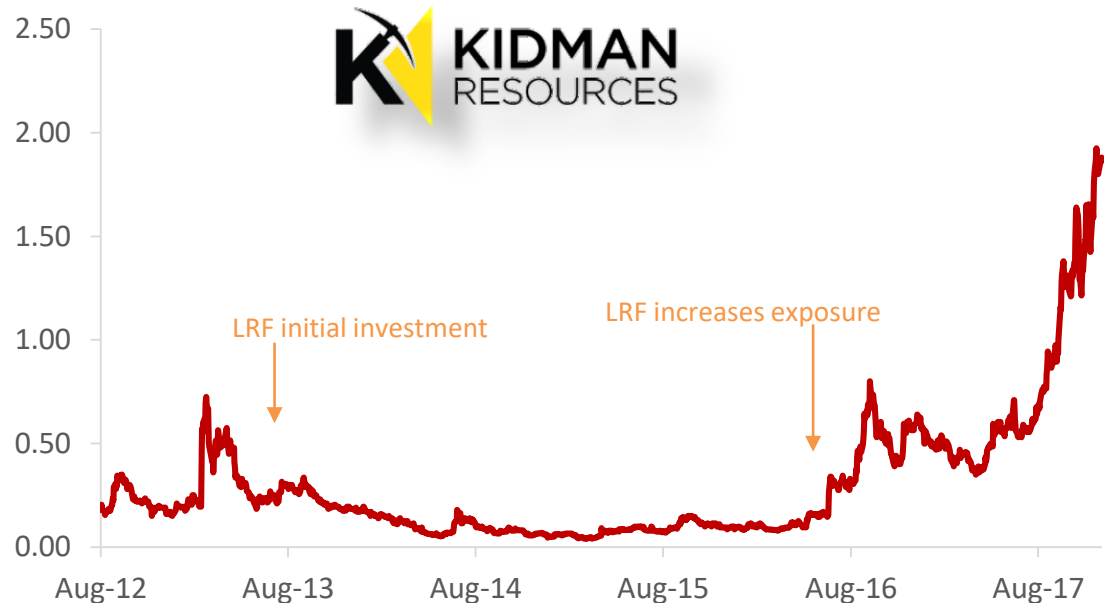
# Case Study: Kidman Resources



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
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## Kidman Resources Limited (ASX: KDR)

- Fast-growing Australian resource company, focused on gold and lithium, located near Southern Cross, in the Archaean Forrestania belt of Western Australia
- LRF's first investment in KDR was in August 2013
- Accumulated a holding of around 4.3m shares by August 2016 at an average cost of \$0.12/share
- Partially sold down exposure between September 2016 and December 2017
- Generated a partially realised gain of \$3.9m, or 721% total return on the investment, to date





# Lowell – a unique investment opportunity



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
ABN 36 006 769 982

- **Fund focus**
  - One of the very few investment funds that offers exposure to the junior resources sector across Australia and global stock exchanges in unlisted and listed companies
- **Successful track record for 10+ years**
  - Superior performance over the short, medium and long term
  - Historical 10 year return of 10.4% p.a.
  - Fund must distribute of all taxable profits (4 distributions over the past 7 years)
- **Experienced management**
  - Deep technical, financial and commercial expertise and networks with experience through numerous cycles
- **Unique network – not easily replaced**
  - Access to deal flow in public and private markets
  - Proven ability to generate returns throughout the cycle
  - Potential for structured investment opportunities through consultant relationships
- **Liquidity**
  - ASX listing to provide liquidity



# Contact



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

ABN 36 006 769 982

## **Lowell Resources Funds Management Limited**

### **Investment Manager**

ACN 006 769 982

AFSL 345674

### **Address**

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Melbourne VIC 3000

Tel: (03) 9642 0655

Fax: (03) 9642 5177

Email: [johnf@lowell.net.au](mailto:johnf@lowell.net.au)

## **Cremorne Capital Limited**

### **Responsible Entity**

ACN 006 844 588

AFSL 241175

### **Address**

8 Chapel Street,  
Richmond VIC 3121

Tel: (03) 9665 2499