



# Commodity « Supercycle »

Investment Idea :  
17 May 2021

## Structuration : Protected Tracker

Maturity: **5Y**

Exposure:

- **Worst of on the downside,**
- **Equally Weighted Basket** on the upside.

Underlying's:

- **GLENCORE PLC (GLEN LN)**
- **ANGLOGOLD (AU UN)**
- **BHP (BHP LN).**

Strike: **100%**

Participation Level: **393%**

Underlying Cap: **130%**

Capital Barrier: **60%** European

## Overview

We believe that timing is very interesting to invest in mining companies and especially those with copper exposure.

We have designed a conservative structuring with a protected tracker.

Copper is one of the world's most versatile metals and the third most used behind iron ore and aluminum.

It's an essential component in buildings and cars, part of the money supply, and a key material used in renewable energy.

Given that outlook, the world's biggest copper miners should be able to continue expanding their production in the coming years

**“Copper has one of the stronger bull cases”**

## Why Now ?

1. **China's gross domestic product (GDP)** expanded by a record 18,3% in the first quarter and many economists expect growth will exceed 8 % this year. China imports record amounts of copper to fuel this growth.

2. **Plans for fiscal stimulus in America and Europe** lean heavily towards **greening the economy**, which in turn favors copper demand.

The spur to rapid demand growth will come from the greening of richer countries.

As cost-effective conductor of heat and electricity, copper is a vital input to green tech.

3. **A shortage generated by a chronic underinvestment of the industry:**

The market for copper, is currently in "backwardation", a state in which futures prices are below cash prices: It is a telltale sign of physical shortages.

Indeed, copper supply is far less flexible. It takes two to three years to expand output at an existing copper mine and a decade or more to develop a new one.

Mining firms, burned by the commodities bust of the early 2010s, have focused more on paying out dividends than on investing in new supply.

4. **All these factors lead to an expected 50% increase in prices:**

Goldman Sachs, predicts that prices will rise to \$15,000 per tonne by 2025, from \$10,000 today, as the red metal undergoes a new supercycle, a longish period in which demand outstrips supply.

5. **A natural hedge against inflation.**

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## Which investment vehicles?

We have decided to select 3 mining companies with copper exposure, a strong market capitalization and finally an attractive rating by Morningstar's analysts.

- **Anglogold Ashanti Ltd** is one of the largest gold miners, with projects which will produce both gold and copper. The company also produces silver and sulphuric acid as by-products. Its operating divisions are Continental Africa, Australia, and the Americas. The firm generates a majority of its revenue from Continental Africa which includes Ghana, Guinea, Mali, the Democratic Republic of the Congo, and Tanzania.
- **BHP** is a leading global diversified miner supplying iron ore, copper, oil, gas, and metallurgical. A 2001 dual-listed merger of BHP Limited (now BHP Ltd.) and Billiton PLC (now BHP PLC) created the present-day BHP. Shareholders in each company have equivalent economic and voting rights in BHP as a whole. Major assets include Pilbara iron ore, Queensland coking coal, Escondida copper and conventional petroleum assets, principally in Australia and the Gulf of Mexico. Onshore U.S. oil and gas assets were sold in 2018.
- **Glencore** is one of the world's largest commodities traders, active in markets for metals and minerals, energy products, and agricultural goods. The firm's marketing business provides sourcing, logistics, transportation, storage, and financing services to commodity producers and consumers around the globe. After the 2013 merger with diversified miner Xstrata, the company now ranks as one of the world's largest commodity producers in its own right. Core exposures are in the production of thermal coal, coking coal, copper, zinc, nickel and ferroalloys.



## Which Structuration?

In order to capture the super cycle we decided to design a Protected Tracker with a 3.93x leverage and capped to 130%, whose parameters are the following:

### Protected Tracker

- Maturity: **5Y**
- Exposure:
  - **Worst of on the downside,**
  - **Equally Weighted Basket** on the upside.
- Underlying's:
  - **GLENORE PLC (GLEN LN);**
  - **ANGLOGOLD (AU UN); B**
  - **HP (BHP LN).**
- Strike: **100,00%**
- Participation Level: **393%**
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