

## **"The gold mining sector is increasingly becoming a stock picker market"**

**Smart Investor in conversation with Udo Sutterlüty, Sutterlüty Investment Management GmbH, about his current view of gold mines and opportunities for dairy shares**

***Smart Investor: SUNARES stands for Sustainable Natural Resources. What distinguishes the fund from other commodity funds?***

Sutterlüty: The SUNARES is more diversified than traditional commodity or mining funds. This also gives us the opportunity to invest in segments outside the mining sector, such as food & beverage, agricultural, forestry, wood and paper companies. We combine these investment themes with equities from the traditional commodity sectors such as gold, silver, copper and lithium. Metals that are of particular importance to the sustainability industry are a focal point. This includes copper and lithium in particular. We have no fixed weightings in the sectors. We use a top-down approach to analyse which sector is currently of interest. The largest sector is currently the gold sector with just under 20%, but this focus does not overlap the entire fund.

***Smart Investor: Let's stick to the gold mines anyway. What does the stock picking process of the SUNARES look like in detail?***

Sutterlüty: Basically, there are attractive stocks in the big, mid and small cap sector. One of our main focuses is in the mid-cap segment. Fundamental valuations such as the price-earnings ratio or the ratio of free cash flow to profit are decisive for the selection. Another important aspect is the sustainability of the projects with regard to both the environment and the operating business. From a risk perspective, we pay attention to the level of indebtedness and the political risks of the countries in which they operate. We assess this overall picture. Then there is the technical analysis. Our largest position in gold mines, Kirkland Lake Gold, has gained 160% this year. This shows that there are huge differences in performance in this area, and the gold mining sector is increasingly becoming a stock picker market. In addition to mid-cap producers such as Kirkland Lake Gold and Iamgold, we rely on more conservative royalties, which are the long-term leaders of the peer group such as Royal Gold or Franco Nevada. We have been holding back on explorers and developers with a higher risk level lately. As soon as we get the green light from technical signals, we will also access the site again.

***Smart Investor: Which positions beyond the mining sector offer an interesting story?***

Sutterlüty: A share from the Food & Beverage sector with an interesting story and an excellent performance is The a2 Milk Company. The company, which is a New Zealand company listed in Australia, produces A2 milk. Common cow's milk is called A1 milk. The difference refers to the casein in the protein content of milk. The company produces A2 milk by breeding certain traditional breeds

of cows, which can be consumed by Asians with a tendency to milk intolerance. The company is thus also open to the Asian market for powdered milk and baby food. On the one hand, Food & Beverage is a certain anchor of stability for us, but we also expect growth stories in this segment.

***Smart investor: Profit or loss is realized only in the sale. When do you think it is time to part with positions?***

Sutterlüty: Bull and bear markets often last longer than expected. We rarely have active weightings of more than 1.5% in the fund. In small caps, we rarely exceed 0.5% at the start of the game. We actively invest between 1 and 1.5% in mid and large caps. If equities account for 3% or more of the fund's volume as a result of price gains, we begin to take profits, especially if technical signals indicate an overbought situation. Good diversification is important to us, currently we are investing in 90 different stocks. If stories like gold or lithium are going well and we don't have macro signals pointing to an end of the trend, we'll stick to it. We hold it with Jesse Livermore, who once said: "It was never my thinking that made the big money for me, it always was sitting".

***Smart Investor: Which sectors in which you are investing have not fulfilled your expectations lately?***

Sutterlüty: This includes the energy sector. Here we have been severely underweight for a good two years. From a fundamental point of view, we're still silver bulls. But at the moment, however, we are a little short of momentum. In our portfolio, we have scaled back silver and agricultural stocks to better develop more interesting themes such as wood, copper and lithium. Not least because of Hurricanes Irma and Harvey and the necessary reconstruction they entail, we are quite bullish for wood stocks.

***Smart Investor: Let's stick to copper and lithium. What do you think are the story's bearers here?***

Sutterlüty: The demand for lithium does not only come from the field of e-mobility. It also covers areas such as energy storage, portable batteries and smart grid applications. All of this will generate great demand in the coming years. All forms of technology require copper. Support is also provided by the global economy. A weaker USD may mean higher raw material prices, but it also means a better economy in the emerging markets. This growth generally increases the demand for copper as well. Another point: volcanic eruptions or earthquakes can endanger the supply of copper. All you need to do is look at Chile, a region that is responsible for 20% of the copper supply and is highly susceptible to earthquakes.

***Smart Investor: Mr. Sutterlüty, thank you very much for your comments.***

Interview: Christian Bayer