
# INVESTIGATOR TRUST
## JUNE 2024 REPORT

**30 JUNE UNIT PRICE: $2.1181**

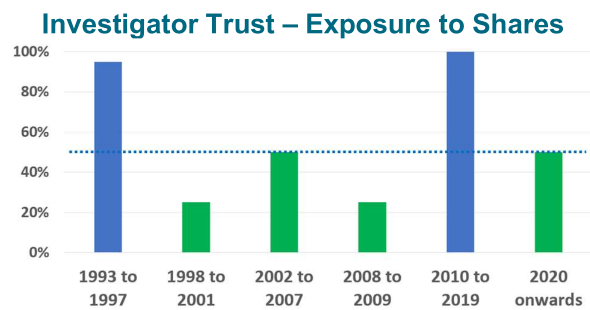
| | 1 YEAR | 5 YEARS | 10 YEARS | 20 YEARS |
|---|---|---|---|---|
| **PACKER & CO** | **14.8%** | **4.9%** | **8.9%** | **11.2%** |
| **ALL ORDINARIES ACCUMULATION INDEX** | **12.5%** | **7.6%** | **8.3%** | **8.6%** |
| **MSCI WORLD ACCUMULATION INDEX $A** | **20.4%** | **13.4%** | **13.6%** | **9.0%** |

The Investigator Trust returned 14.8% for the financial year compared to a 12.5% return by the Australian Market and 20.4% return by the World Index.

The Trust's 14.8% return was better than we expected as only half our assets were in equities. The return was attributable to strong performances by our energy and telecom stocks, as well as our investment in physical gold. In contrast, the world markets were driven by a handful of large technology stocks riding the Artificial Intelligence bonanza.

We remain uncomfortable with the hype in segments of the market today. When investors chase a few stocks with little regard to valuations it does not often end well.

As you can see in the following chart of our exposure to shares since the inception of the Investigator Trust, there have been several periods during which we have adopted a conservative exposure to shares and held more cash-like investments. We don't love these periods, and in the long run prefer to own shares.

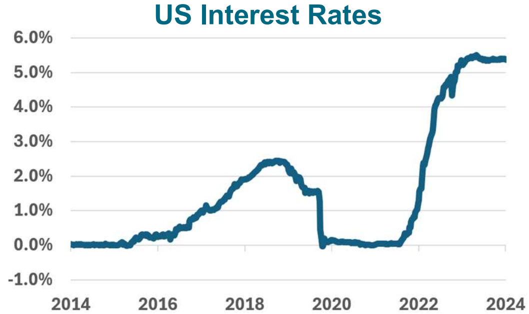



However, even when the pickings are slim, a few well-bought stocks can provide a solid overall return. In periods when the Trust has had less than 50% invested in shares (those shown in green above), it has made an average return of approximately 11%. This year has been one of those years – a lower risk setting but a reasonable return.

Opportunities for investment at reasonable valuations have been scarce since Covid, as governments' extremely loose monetary and fiscal policies fuelled speculation across the globe. The US government has been especially loose and in 2023 spent $6.5 trillion but only raised $5.0 trillion dollars in taxes. For a while, many economists and politicians believed that money could be printed to fill the gap without consequences, but the reemergence of inflation has awakened them to this delusion.

The US now needs to borrow to pay its bills. The debt pile is soaring and the interest on its debt will soon consume a quarter of all taxes. Higher debt levels and persistent inflation have caused interest rates to rise dramatically over the past few years.

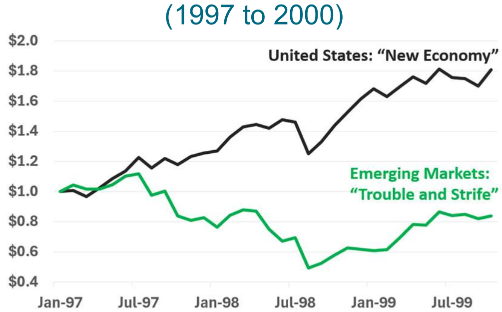
**US Interest Rates**




Rising interest rates are like removing the punchbowl at a party as investors sober up and have to reconsider all investments in comparison to the return on holding cash.

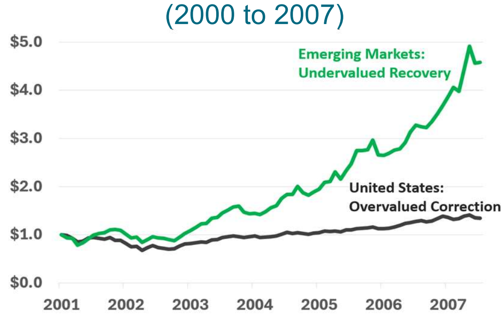
Today we feel a sense of déjà vu with the year 2000. At that time, the prevailing sentiment was that new age companies in the US were the only place to invest, whereas emerging stock-markets, most notably in Asia, were shunned and experienced significant decline.

**US Market vs Emerging Markets**
(1997 to 2000)




However, this prevailing sentiment proved to be misplaced. Over the next six years emerging markets soared, rising fivefold, and trouncing the US market.

**US Market vs Emerging Markets**
(2000 to 2007)




The Investigator Trust enjoyed this period, with our emerging market investments in Korea, Russia, Malaysia and Taiwan experiencing the same meteoric rise.

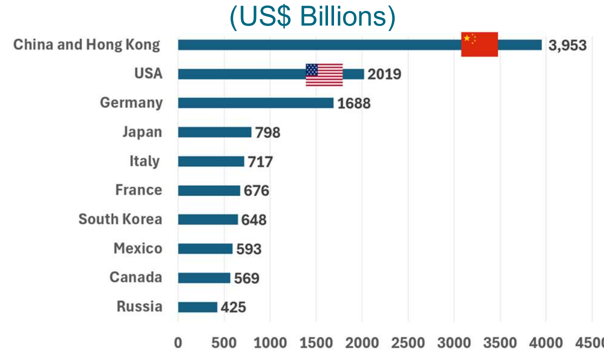
We believe there are parallels today with a handful of new-economy technology companies driving the US market to new heights and the most expensive valuations in a generation. In stark contrast, real estate prices in China have fallen significantly, the stock market has halved and is now trading near its lowest valuation ever.

**US Market vs China Market**


We believe that investing in China at this juncture represents an opportunity, like investing in emerging markets at the turn of the century.

China today is the world's most significant trading partner and an integral part of the global economy consuming half the world's commodities and manufacturing a third of all products.

**Leading Export Countries 2023**
(US$ Billions)

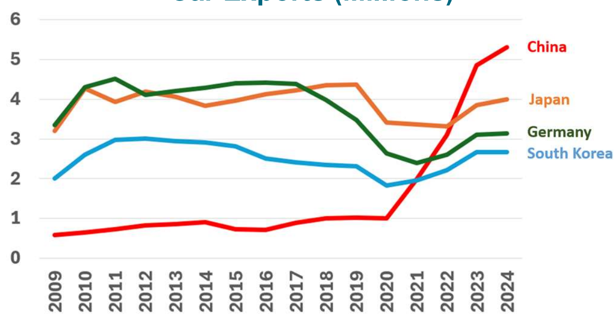



As China's population ages some of its labour-intensive manufacturing is shifting to Vietnam, Indonesia and Mexico.

However, with a working population of nearly one billion – three times larger than that of Vietnam, Indonesia and Mexico combined – China is set to remain the centre of world manufacturing.

As Chinese wage rates increase its manufacturing sector is moving up the value chain. Over the past decade its automotive industry has emerged as a global powerhouse, recently overtaking Japan as the world's largest exporter of cars.

### Car Exports (Millions)




In our initial foray into the Chinese stock market three years ago we bought into the leading telecom companies – China Mobile and China Unicom. Neither have any debt and both have recession proof qualities as mobile phones have now become essentials in our daily lives.

These telecom companies stood out in comparison to their peers in other countries, such as Telstra in Australia, as they were trading at demonstrably lower valuations and yet were more profitable and growing faster. They have risen significantly in value while the broader Chinese market has struggled. We remain excited by their prospects and valuations today.

When it comes to technology, China is fast becoming a world leader. It has the most sophisticated e-commerce sector in the world, and Chinese companies are rapidly building their offerings in AI and cloud computing. The Chinese technology giants are as dominant as the household names in the US and yet can be purchased for a fraction of the price.

Alibaba, which we invested in last year is the "Amazon of China" and handles 50% of online retail in the country. To illustrate the scale of e-commerce in China, in 2023, 90 packages were delivered to every man, woman and child in the country, a rate 3x higher than in Australia. Moreover, Alibaba has 900 million customers, 3x more than Amazon.

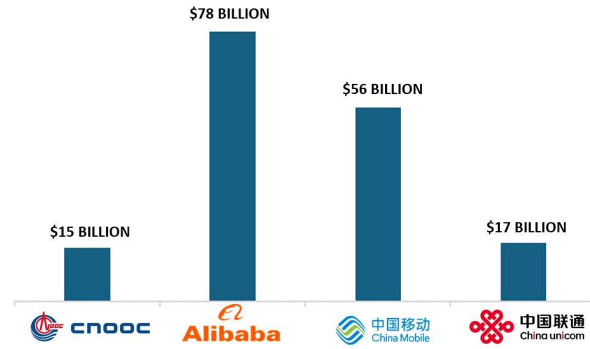
Despite this, Alibaba trades on a quarter of the valuation of Amazon compared to its earnings.

### Alibaba vs Amazon

| | Alibaba | amazon |
|---|---|---|
| Market Share | #1 in China | #1 in US |
| Customers | 900 million | 300 million |
| Market Value | A$165 billion | A$3.2 trillion |
| Price Earnings Ratio | 8x | 34x |

Our Chinese companies are flush with cash positioning them well to weather any downturn.

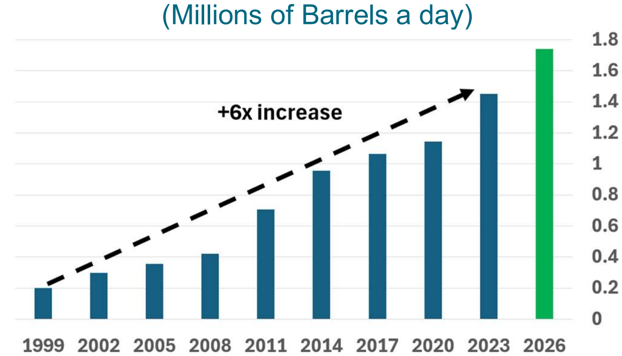
### Excess Cash Surpluses (AUD$)




We have another major investment in China, CNOOC, China's major offshore oil company which represents 11% of the Trust's assets.

CNOOC jointly owns the huge Stabroek oil field off the coast of Guyana with Exxon and Hess. This field has proven to be the find of the century with over 11 billion barrels of oil discovered since 2015 and huge prospectivity remaining. CNOOC has also enjoyed significant exploration success off the coast of China as well as in Brazil and Africa where they have partnered in some huge discoveries.

### CNOOC Oil Production
(Millions of Barrels a day)




CNOOC's oil output has increased 6x in 20 years, and we believe there is plenty more growth to come from its world class development assets.

CNOOC's growth stands in contrast to that of Western oil majors, which have stagnated over the same period. Many of these companies have resorted to acquiring their smaller brethren just to maintain production levels.

This leads us to another major development this financial year, with Chevron in October 2023, announcing that it would acquire Hess, our second largest holding for $53 billion.

In the cases of both CNOOC and Hess, we have recouped our initial investments through dividends and share sales.

In addition to Hess and CNOOC, the Trust retains exposure to some of the world's largest energy companies in Russia. These firms produce 10% of the world's oil – with Rosneft notably producing almost twice as much oil as Exxon, whilst Gazprom Neft and Surgutneftegas produce almost as much as Chevron.

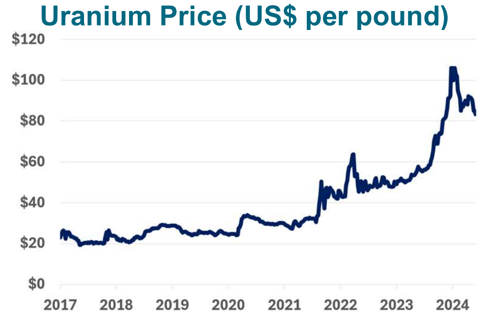
These energy companies hold some of the most strategic assets on earth, however, since Russia's invasion of Ukraine in 2022, they have remained off-limits to Western investors. Currently they are independently valued at a 60% discount to their traded price in Moscow to reflect the risk that these assets may remain locked away for the foreseeable future.

Another energy trend we have been tracking closely is the changing global attitudes towards nuclear power. Most countries now recognise they need carbon free baseload power. At a climate summit in Dubai last year, a declaration was made to triple nuclear power by 2050 with the US, Japan, UK, and Canada the main proponents.

Tripling nuclear power by 2050 is a tall order but finding the uranium to power it is an even bigger challenge. The bulk of the world's production currently comes from a handful of old mines, the majority of which are in unstable countries.

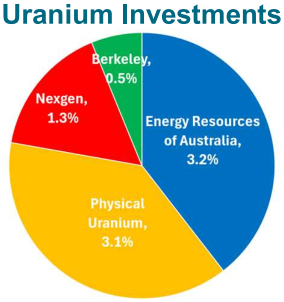
The world has woken up to uranium's scarcity and its price has quadrupled in the past four years.

**Uranium Price (US$ per pound)**




We have 8% of the fund in uranium investments, and two of our companies, ERA and Nexgen, control the best undeveloped deposits in the world. These deposits represent a combined energy equivalent of 10% of Saudi Arabia's oil endowment.

**Uranium Investments**



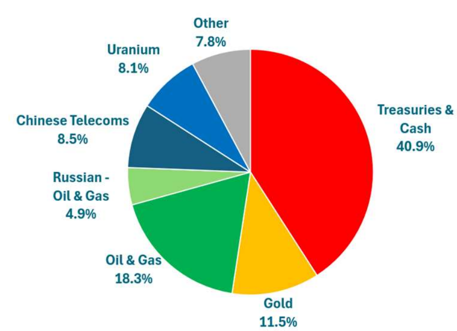

ERA, which is controlled by Rio Tinto, owns Jabiluka, arguably the world's best uranium deposit adjacent to Kakadu National Park. We believe it is vital that Jabiluka be developed. It is one of the few giant deposits situated in a safe, stable country and could represent Australia's greatest contribution to decarbonisation. It would also generate billions of dollars of taxes for the country, whilst providing hundreds of millions for indigenous causes.

The challenge to the development of Jabiluka is that the local Mirarr people are currently opposed to the project. They have seen the ugly scar created by the nearby Ranger open pit mine, which is now being rehabilitated by ERA. It is our view that their concerns can be addressed, especially as Jabiluka is an underground mine rather than an open pit mine, meaning the footprint and impact would be miniscule by comparison.

Rio Tinto, the major shareholder in ERA, has in the past referred to Jabiluka as a "growth asset." However, in the wake of the Juukan Gorge disaster, they are focused on repairing their reputation and are now shy to progress this world class asset.

We find this stance highly ironic as they generate the bulk of their income from enormous open cut mines in equally beautiful land adjacent to the Karijini National Park in Western Australia.

**Portfolio**



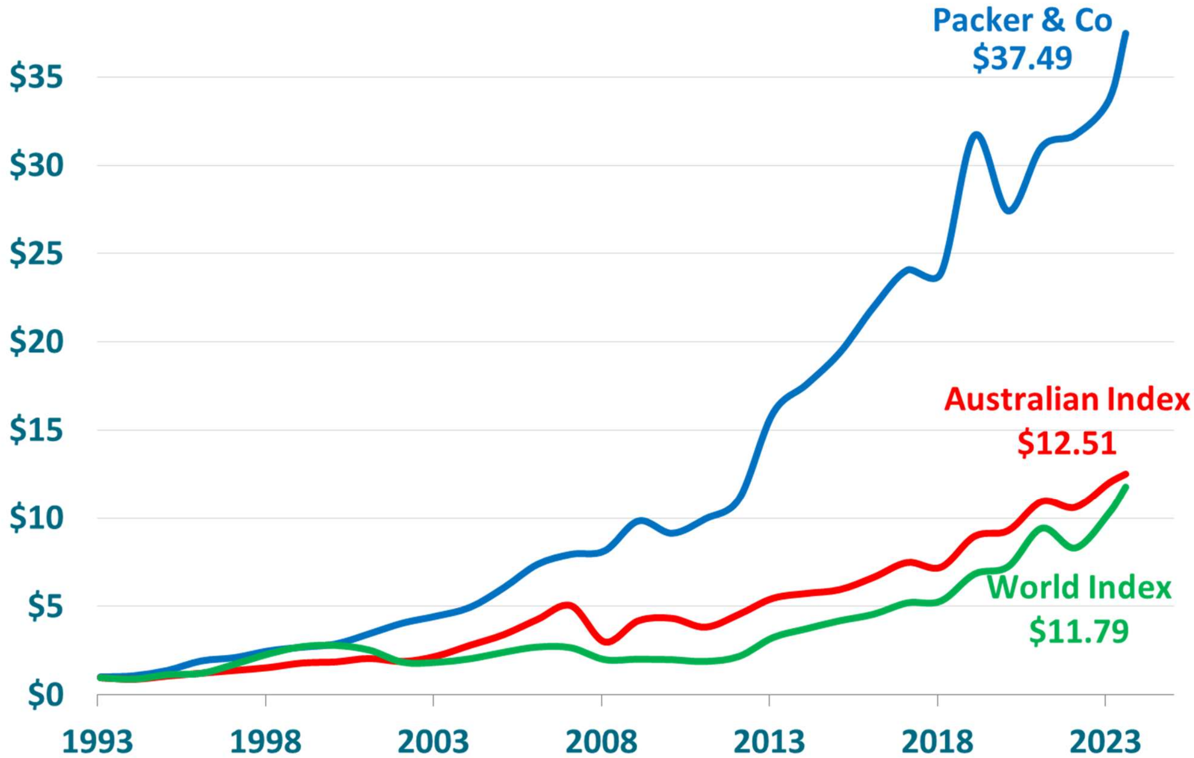

At year end, 47% of the Trust's assets were primarily invested in energy and telecom stocks, 41% in treasuries and cash yielding 5%, with the balance in physical gold. We have always prioritised the preservation of capital and when things don't quite add up, we hold more cash.

In conclusion, we would like to thank Ben Luscombe who has retired as a Director of Packer & Co after 13 years of service.

## Portfolio $2.1 billion

| | |
|---|---|
| **EQUITIES** | **47.6%** |
| CNOOC | 11.1 |
| Hess | 7.1 |
| China Mobile | 4.8 |
| China Unicom | 3.7 |
| Energy Resources of Australia | 3.1 |
| Scorpio Tankers | 2.8 |
| Alibaba | 2.3 |
| Rosneft | 2.3 |
| Sprott Uranium Trust | 2.2 |
| NexGen Energy | 1.3 |
| New Hope Corp | 1.2 |
| Gazprom Neft | 1.2 |
| Gazprom | 1.1 |
| Polyus | 1.1 |
| Yellow Cake | 1.0 |
| Berkeley Energia | 0.5 |
| Surgutneftegas | 0.4 |
| Polymetal | 0.2 |
| Other | 0.2 |
| **GOLD BULLION** | **11.5%** |
| **AUSTRALIAN CASH & TREASURIES** | **20.8%** |
| AUS Government Treasury (Jul 24) | 14.7 |
| AUS Government Treasury (Aug 24) | 3.5 |
| Cash | 2.6 |
| **OVERSEAS CASH & TREASURIES** | **20.1%** |
| US Government Treasury (Jul 24) | 8.7 |
| US Government Treasury (Nov 24) | 10.0 |
| Cash | 1.4 |
| **TOTAL INVESTMENTS** | **100.0%** |

## Return on $1 Since Inception




* Average return Packer & Co portfolios 1993 - 1996, Investigator Trust return used January 1997 onwards.

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(a) *in preparing, supplying or conveying such advice, we did not take into account your investment objectives, financial situation or specific needs; and*

(b) *(before acting on the advice) the need to consider, with or without the assistance of an authorised representative, the appropriateness of the advice having regard to your investment objectives, financial situation or specific needs and any relevant Product Disclosure Statement.*

***Packer & Co Ltd (ABN 66 061 804 671) AFSL no. 221184, the Responsible Entity of the Packer & Co Investigator Trust (ARSN: 088 778 232)***