



29 April 2025

Dear Investor,

Ben Cleary, Portfolio Manager of the Tribeca Global Natural Resources Strategy, spent ten days post “Liberation Day” (2 April 2025) meeting with members of the United States Congress, current and former White House staff, public policy institutes and industry leaders across Washington and Houston. The bottom line is that he sees an impending commodity supercycle as US exceptionalism fades, the USD moves lower and raw materials/energy continue to be weaponised. He is very comfortable with the positioning of the strategy and thinks it is time to be adding exposure. Please find his full trip notes below.

Executive Summary

- 1) **Art of the Deal:** Trump’s tariff rollout has been textbook art of the deal, starting big before pivoting to a more favourable middle ground. We expect to see deals announced soon but China will take much longer.
- 2) **Drill Baby Drill:** US drilling activity continues to be driven by market forces, not political rhetoric, indicating cost support at mid-US\$50 WTI. Demand pull from LNG exports underpins attractive case for natural gas.
- 3) **Nuclear Renaissance:** Life extensions coming for existing reactors. Conversion/enrichment capex will not come until there is greater certainty on likelihood of further exceptions to the Russia uranium import ban.
- 4) **Critical Minerals:** Trump hamstrung on IRA but irrelevant as few economic domestic projects. Copper/ali tariffs nonsensical given inability to boost domestic production. Happy side effect = strategic metals reserve.
- 5) **Deep Value:** Commodities are being acknowledged as critical to almost all new US policies but you can still buy high quality, bottom of the cost curve producers at material discounts to long term average multiples...

General Policy

Trump’s Master Plan

It was said more than 20 times in Washington meetings that Trump is “not playing 3D chess”. Broader feedback, however, suggests tariffs are purely a negotiating tactic in a gambit to balance the books. Very simplistically, the US federal government spends US\$7 trillion a year against receipts of US\$5 trillion leaving an annual budget deficit of US\$2 trillion. Trump intends to wipe half of this out via deals enabling countries to avoid tariffs with the balance to come from DOGE related spending cuts. A crude example of the lack of appetite to implement tariffs is that it may entail reshoring the manufacture of Nikes from Vietnam. Trump doesn’t want this. He just wants early wins. This aligns with the softer stance on China after they imposed retaliatory tariffs and refused to negotiate.

A Sigh of Relief

Prior to the 90-day pause on the implementation of ‘reciprocal’ tariffs, every investment bank had hardcoded GDP declines taking the gold leaderboard tariffs at face value. As a result, we had seen multiple strategists doing double and triple downgrades of the S&P 500. There are all sorts of upgrades looming. Make no mistake confidence has been shattered so Trump will need to deliver deals before the market can go much higher. Maybe another 2-3% without deals. Data will be weird short term. There was lots of front loading of consumption of cars/phones so this will be actually strong vs services has rolled quickly hence Delta downgrade.

Foreign Policy

Feels like big picture with Russia is a peace deal, but all feedback pointed to there being no clear strategy. Trump lost interest in Ukraine fairly quickly and “has moved on”. Might let Russia take it, might not. Just doesn’t respect Zelenskyy so has lost interest in him. Trump has also returned to “maximum pressure” on Iran and meetings indicated they don’t have expertise to operate any nuclear capabilities. Trump does not care about Africa. Russia stepping up foreign investment to oust China in the continent and there has been resurgence in Islamic State. Reads like heightened sovereign risk, which is why we maintain low exposure to the continent.

Energy Policy

Drill Baby Drill

Feedback from meetings in Houston confirmed the view that Trump’s “drill, baby, drill” agenda has no bearing over industry, whose decision to drill continues to be dictated by market forces. With US oil prices having dipped below US\$60 per barrel for the first time in more than four years in early April, perhaps the more pertinent question is when drilling activity slows down? The answer is somewhere around mid-US\$50 WTI (ie shale patch FCF breakeven) underwriting, in our view, a rangebound crude price of between US\$60-80 per barrel notwithstanding further OPEC+ supply shocks. In this environment, the strategy will maintain exposure to high-quality names at the bottom of the curve like Permian Resources (PR US).

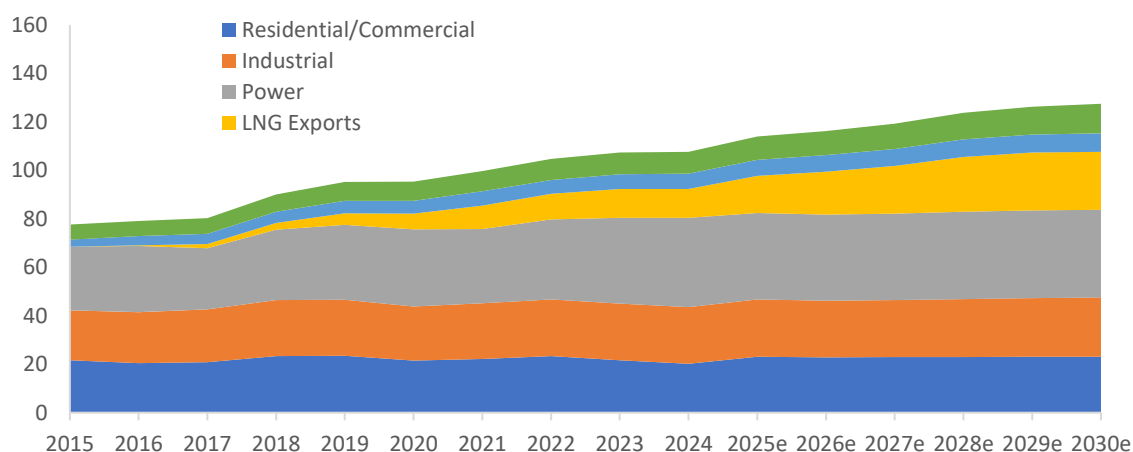
Unleashing American Energy

Consensus view was very bullish US natural gas. People have been looking forward to the LNG demand pull story for more than a decade and it is now just 6-18 months out. Increasing international demand and the buildout of infrastructure have enabled US LNG exports to grow more than 20x in less than a decade from 0.5 Bcf/d in 2016 to 11.9 Bcf/d in 2024, with the US overtaking Australia as the world’s largest LNG exporter in 2023. Export capacity is set to increase another 85% over the next five years, adding 11 Bcf/d of consumption to a market that is only 110 Bcf/d. This is central to the long-term demand outlook for the commodity and is supported by 4-5Bcf/d growth from data centre power requirements and an uptick in industrial demand (see Figure 1).

It is entirely possible that Trump ties tariff deals to US LNG export agreements. Out of Asia alone we see potential for an additional US\$51bn in annual energy imports by 2028. This implies a reduction of 11% in the region’s trade surplus with the US. Japan, Indonesia and India can reduce their surpluses with the US by 18-39% as they increase LNG, crude and LPG imports by 2028. This would only enhance the demand outlook for the commodity. In our view, it is critical to maintain exposure to high quality US natural gas producers who are well positioned to withstand volatility until the market further tightens, such as EQT Corporation (EQT US).

Figure 1: Assuming no new LNG FIDs, US gas demand is expected to rise to 128Bcf/d by 2030

US natural gas demand (Bcf/d)



Sources: EIA, Morgan Stanley Research estimates

Nuclear Renaissance

Life Extensions / SMRs to Maintain / Drive Growth

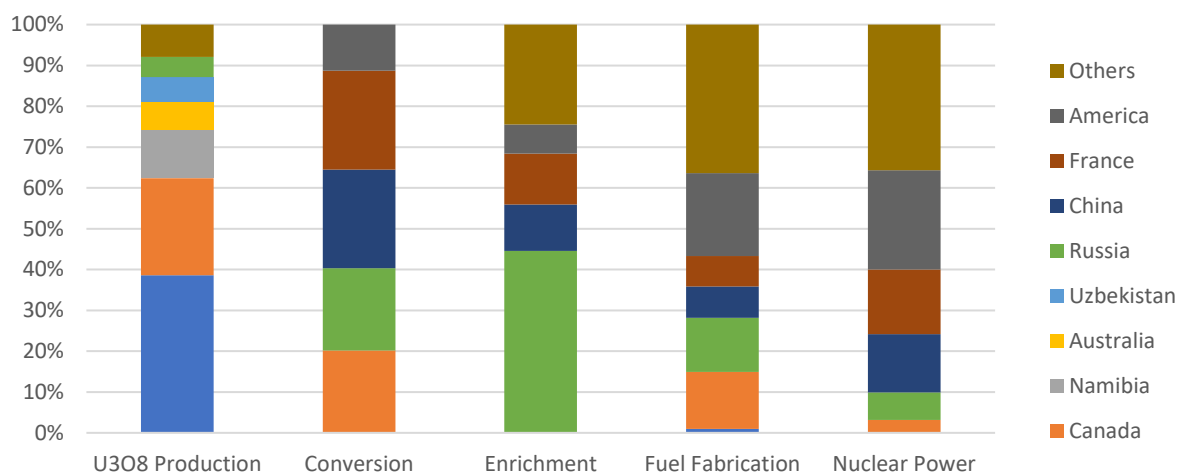
Appetite for nuclear continues to grow in the US. Life extensions are coming for existing plants, with feedback suggesting commercial reactors – which currently have an average age of about 42 years – will get permitted to the maximum 80 years. The regulator has shown its willingness to renew operating licences to full tenure as recently as this [month](#). Further extensions will draw a line under existing generation capacity and its call on uranium. Private nuclear capacity has been almost entirely taken up by data centres and while analysts have pared back their growth forecasts from the power-hungry sector, these revisions were made from a very high base and remain strong. Small modular reactors (SMRs) are still very real and lots of investment is coming. The technology is part of all conversations on nuclear growth and is supported by both sides of the House. Our preferred means of exposure is via high-quality, low-cost uranium miners operating in Tier 1 jurisdictions, such as Boss Energy (BOE AU).

Supply Chains and Associated Policy

Uranium conversion and enrichment capex is almost non-existent in the US. In 2024, former president Biden signed into law a ban on imports of Russian natural and unirradiated low-enriched uranium in order to build out the domestic nuclear fuel supply chain. Because Russia controls ~50% of global enriched supply (see Figure 2), an annual import allowance was put in place until the start of 2028 to allow time for onshore capacity growth. Feedback from meetings suggests there is no confidence in this policy and that corporates expect that this grace period will be extended. As a result, they are hesitant to start putting capital to work and require more certainty before doing so.

Figure 2: Russia is a key conversion and enrichment bottleneck for the US

Global nuclear fuel supply chain control by country



Sources: McKinsey & Company, WNA; Note: U3O8 production, conversion, enrichment and nuclear power data is from 2024, fuel fabrication data is from 2021

Tariffs, Trade and Critical Minerals

The Invincible IRA

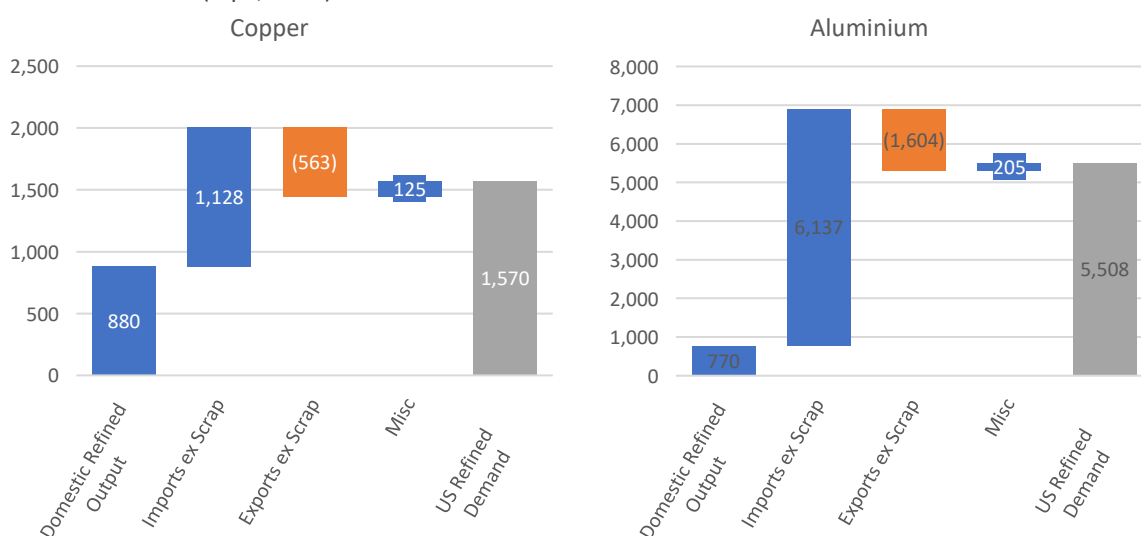
The Inflation Reduction Act (IRA) cannot be wound back because it is law and too many red states are benefiting from it. While viewed as less than austere by Trump, as Joe Manchin told me, the difference between Democrats and Republicans is if you put a bag of money in front of either and they will steal it, it is just the Republicans feel a little bit bad about it. So, Trump wants to stop the rot on IRA but he is hamstrung. That's why he pivoted quickly to critical minerals investment but, being a real estate investor, he doesn't get cyclical sectors / offtake / internal rate of return, being so volatile basis costs and average sales price. He thinks just remove permitting risk and magically copper / uranium / gas in Alaska comes out of ground but that is no chance given most of the projects

in mining are simply uneconomic / low grade / high cost. By way of example, if Rio Tinto's Resolution copper mine gets approved it is unlikely they pull the trigger on development capex anytime soon.

Tariffs Unworkable for Base Metals

Additional s 232 tariffs on base metals still feel ill thought out. Aluminium imports are already subject to a further 25% and a similar path is being investigated for copper. The US remains a net importer of both metals (see Figure 3), with the consequence being that its domestic prices will be higher vs the rest of the world. A sensible justification for this move continues to elude us. While boosting domestic production was cited, this is physically impossible as there are not enough mothballed smelters, new ones would take 2+ years to make and new mines would take much longer, with many facing permitting challenges.

Figure 3: The US remains a net importer of base metals subject to s 232 investigations / tariffs
US trade waterfalls (ktpa, 2023)



Sources: TradeMap, Wood Mackenzie, Morgan Stanley Research

An alternate theory is that Trump has set out to build a strategic reserve of copper. With the additional tariffs on the red metal yet to be implemented and up to 220 days for the investigation to conclude, there is an incentive to ship inventories to the US. An important consequence of this is that Trump has built significant copper inventories without lifting a finger while tightening ex-US markets. One would be forgiven for thinking this was a conscious decision to increase the bargaining power of the nation and incentivise increased smelting capacity. Geopolitics aside, these tariffs benefit companies with onshore production of the base metals exposed to higher domestic prices, such as Freeport McMoRan (FCX US) and Alcoa (AA US), which remain core positions.

Final Thoughts

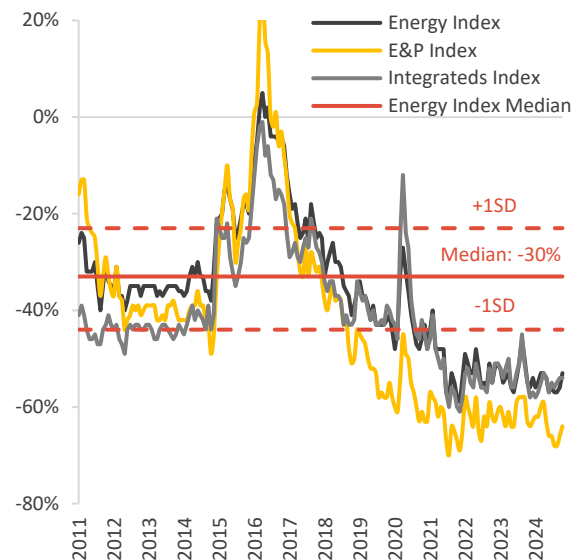
The US has been quick to put forward new policy in the first 100 days of Trump's second term. This elevated cadence is expected to continue until midterms as Trump knows any controversial bills not voted through before the middle of next year will become paralysed if/when he loses the House. One key message that has pervaded these bills is that commodities are critical, not just for the US but for the world. This appears lost on the market, which is pricing materials and energy equities at steep discounts to historical averages (see Figures 4 and 5). In our view, it is time to look through the volatility and increase exposure to the sector. We see an impending commodity supercycle as US exceptionalism fades, the USD moves lower and raw materials/energy continue to be weaponised. The Tribeca Global Natural Resources Strategy is perfectly positioned to benefit.

Figure 4: The S&P Metals and Mining Index EV/EBITDA relative to the S&P 500 is one standard deviation below its long-term average



Sources: Bloomberg, Morgan Stanley Research

Figure 5: Similarly, the EBITDA multiple for the broader energy sector is trading at a record discount to the S&P 1500.



Yours sincerely,

Ben Cleary
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