

Drilling Deeper | Webinar Invitation

Join Live | Ask Questions

Poacher Turned Gamekeeper:

Sean Russo's 40 Years on Both Sides of the Hedge



Host: John Forwood
CIO
Lowell Resources Fund

12pm (AEST)
Friday 5 June



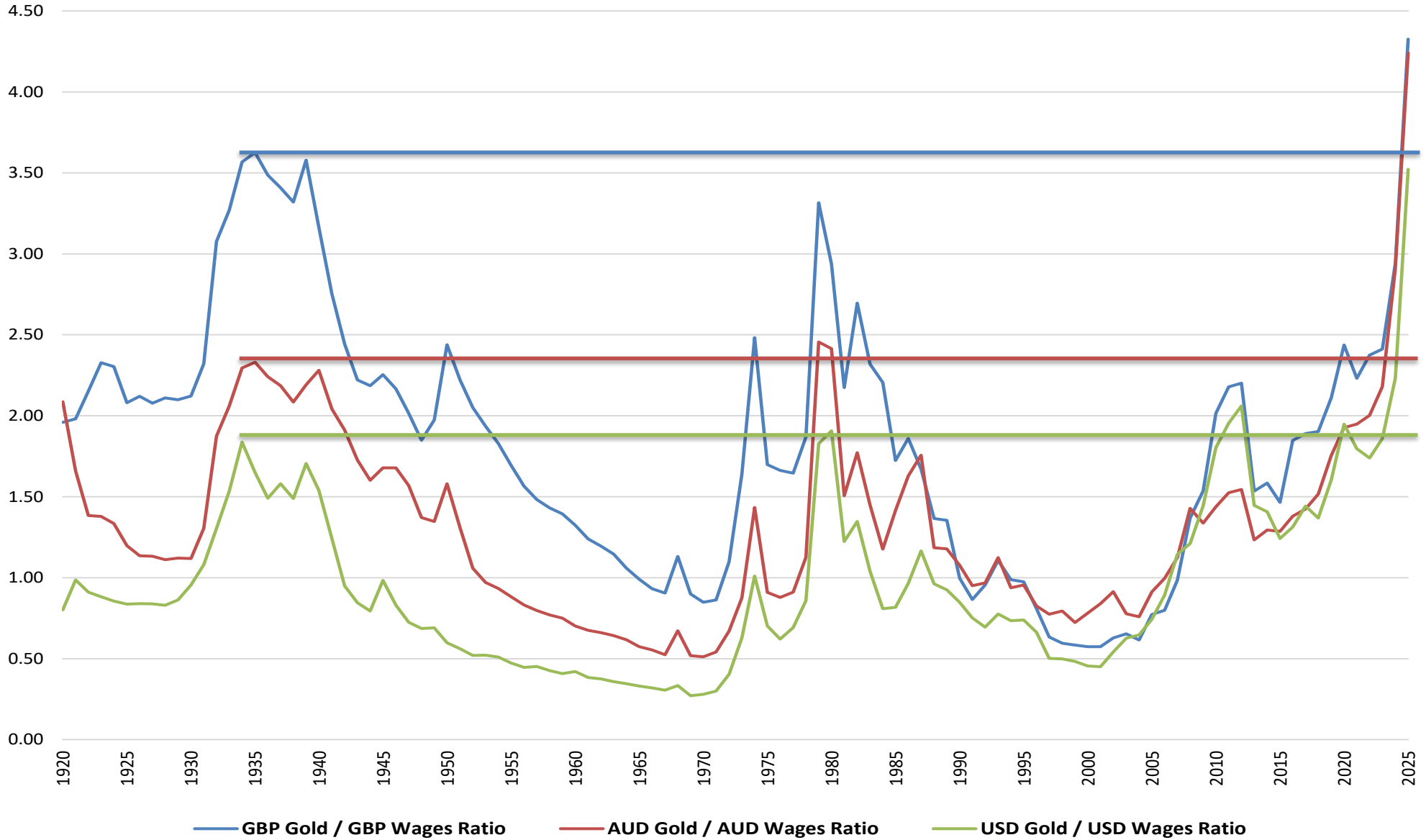
Drilling Deeper
Lode Stars Webinars
with the Lowell Resources Fund



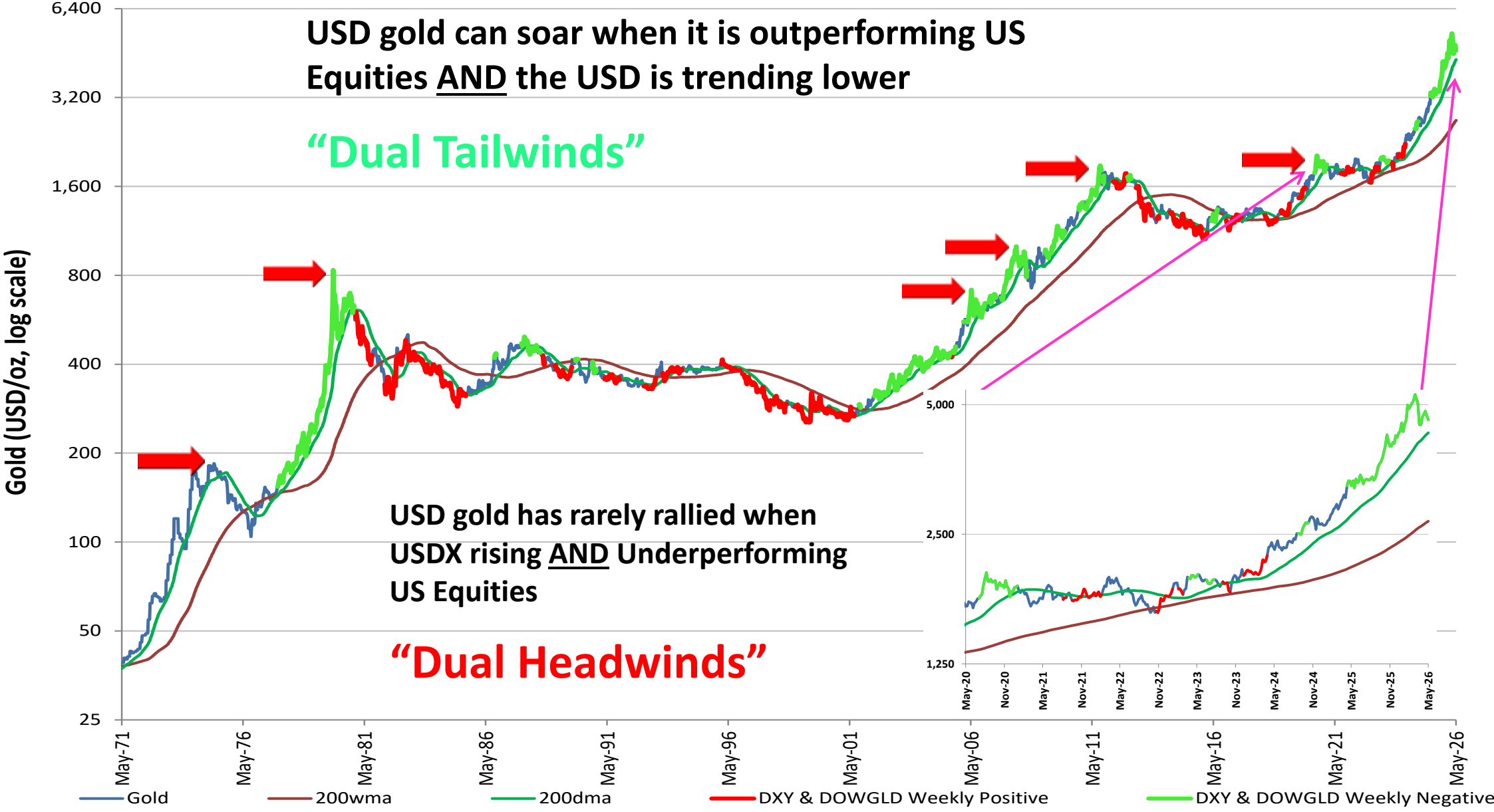
Guest: Sean Russo
Principal & Joint MD
Noah's Rule

Gold/Wages Ratio over the last 100 years

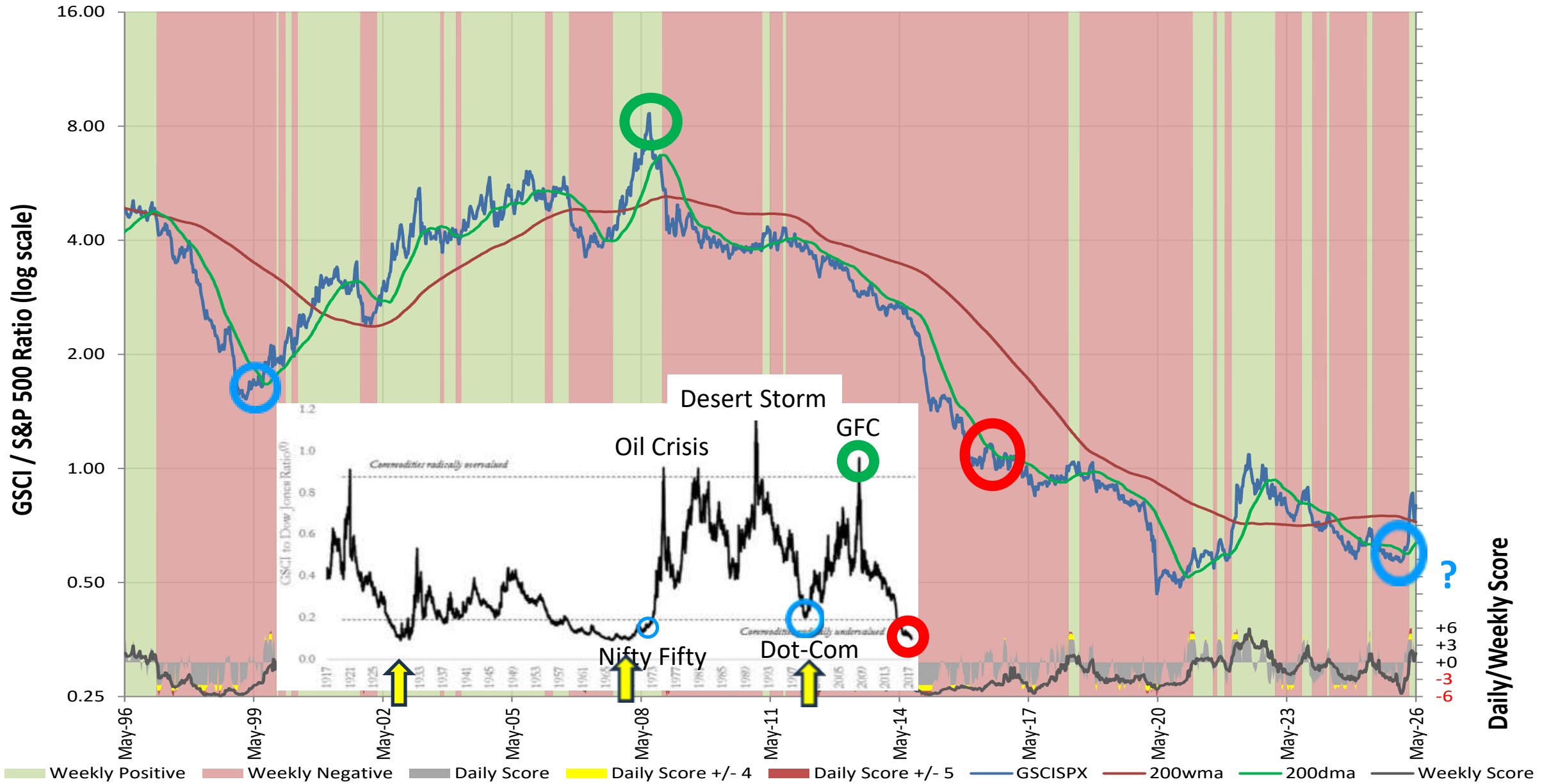
Number of Weeks of Average Earnings to buy an Oz of Gold



USD Gold (log scale) – Dual Tailwinds



GSCI / S&P 500 Ratio (log scale)



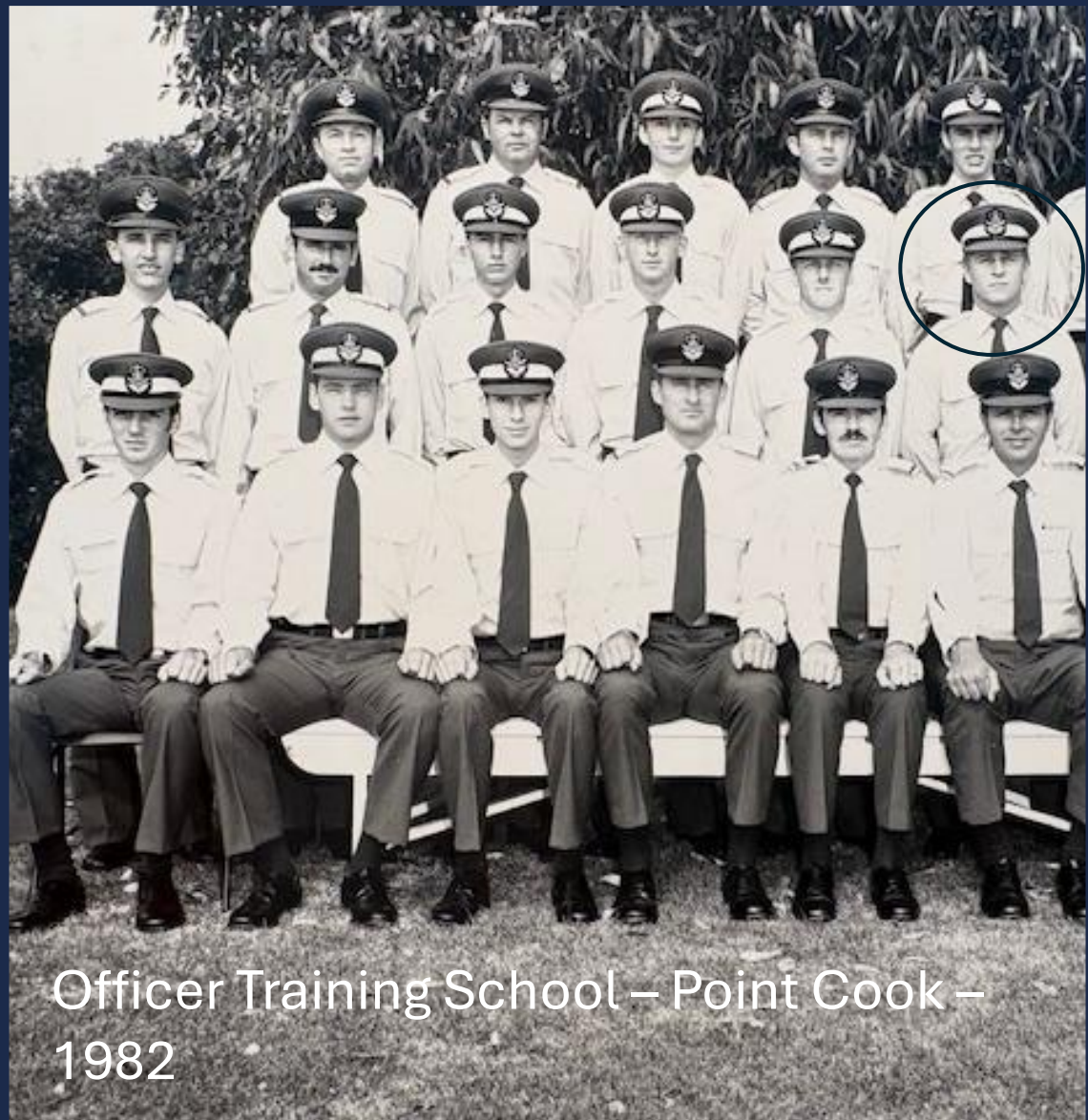
Note: Background colour does not change until there has been three consecutive weeks of positive or negative Weekly Score.





Key Learnings

- “Fair Value” is the line that experts draw in after the market has careened from overvaluation to undervaluation.
- Flow of funds trumps narratives. (Talk is cheap - \$\$ drives prices)
- Better to be approximately right than precisely wrong.
- Top three things to identify a good mining company (any company):
 - People/People/People (really good jockeys don’t ride nags)
- Consensus forecasts are probably only useful as contrary indicators
- Hedging Losses must be measured vs. the value of equity dilution avoided
- Good advisors give advice! Even when they know the client won’t like it.
- Good clients cherish it, because its rare. (A good NDF is essential).
- People regularly conflate risk and uncertainty
- **Predicting rain doesn’t count. Building arks does.**



Officer Training School – Point Cook –
1982

121 Pilots Course – Point Cook - 1982





ASX – Post Clerk/ “Chalkie” -1982/3





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This position, in our expanding Sydney office, is a unique opportunity for a career in International Commodities Trading, specialising initially in physical and futures transactions in the Bullion markets in which Rothschild is a "market maker".

Applicants should be under 25 years of age, have a good academic background and numerical aptitude. A high level of self motivation combined with the ability to learn quickly will ensure rapid integration with a young professional team. Specific previous experience is not essential.

Please address applications to:

Mr. A. N. Christmas
Manager

ROTHSCHILD AUSTRALIA LIMITED
Level 7, 17 Bridge Street
Sydney, N.S.W. 2000

AFR - April 1984



September 1985 – "The Gold Dust Twins"

AUD Gold – 20 Years at Rothschild

1983-11-04
Close (\$) = 421.96
10 wma (\$) = 451.13
50 wma (\$) = 475.01
200 wma (\$) = 446.14
Score = -3.32



USD Gold

1983-02-11
Close (\$) = 500.77
10 wma (\$) = 466.61
50 wma (\$) = 388.79
200 wma (\$) = 455.47
Score = 2.29



21 Sep 84 2 Oct 87 12 Oct 90 22 Oct 93 1 Nov 96 12 Nov 99 22 Nov 02



Miners lashed for hedging losses

- *Australian Financial Review*
14 February, 2001

HEDGING SHAKE-UP
- *Australian Financial Review*, 5 October, 2002

Sons of Gwalia defends forex hedging strategy

- *Australian Financial Review*, 22 October, 2002

Coal & Allied hit by triple whammy

- *Sydney Morning Herald*,
27 June, 2003

Hedging blows a hole in Newcrest profit
- *Sydney Morning Herald*, 9 April, 2002

There's risk in cutting hedges

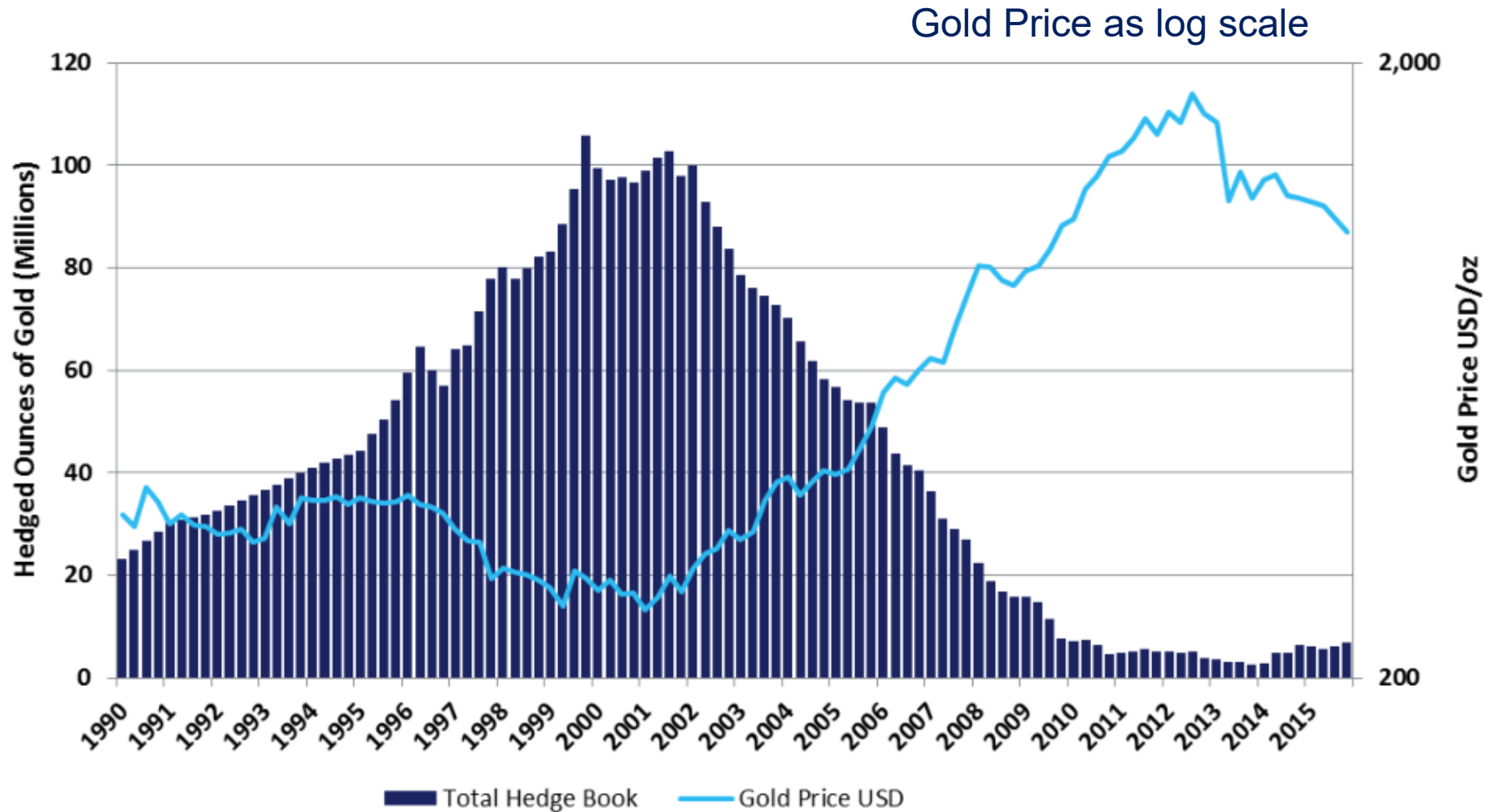
- *Australian Financial Review*, 20 September, 2002

Hedging disasters magnified \$A losses

- *Australian Financial Review*, 8 June, 2001



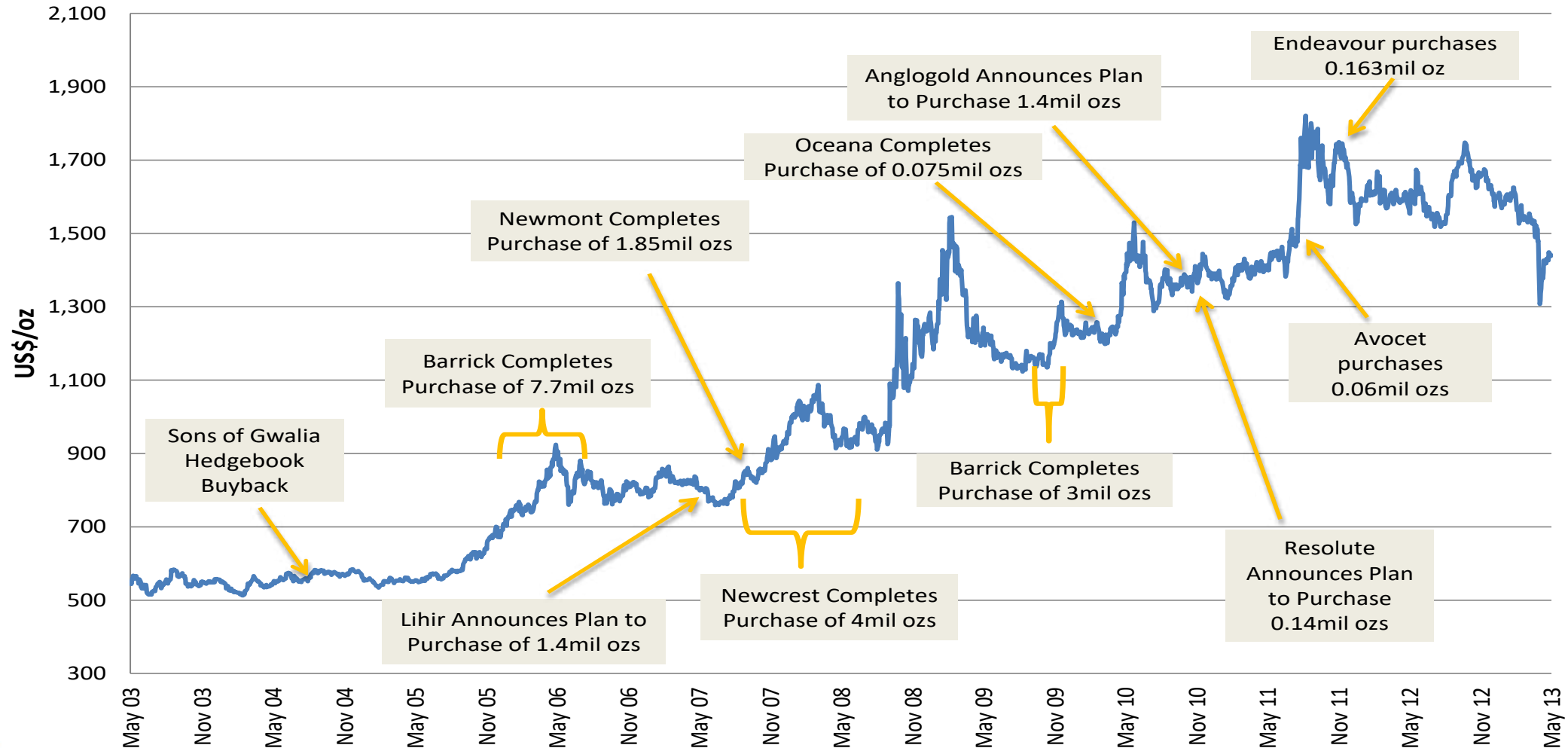
Global Hedge Book



Source: GFMS, VM Data, Bloomberg, Noah's Rule



USD Gold vs. Announced Buy Backs





Noah's Rule - Our Principles

Remembering perception of value is only ever in the eye of the client and having the confidence to let them determine our remuneration.

Aspire to always deliver value to our clients

Commit to walk in our client's shoes; if it was us having to make the decisions our clients are required to make, what would we do and why? Even if we know its not what they want to hear and even if it means we answer those key questions, that haven't been asked.

Always provide frank, robust advice

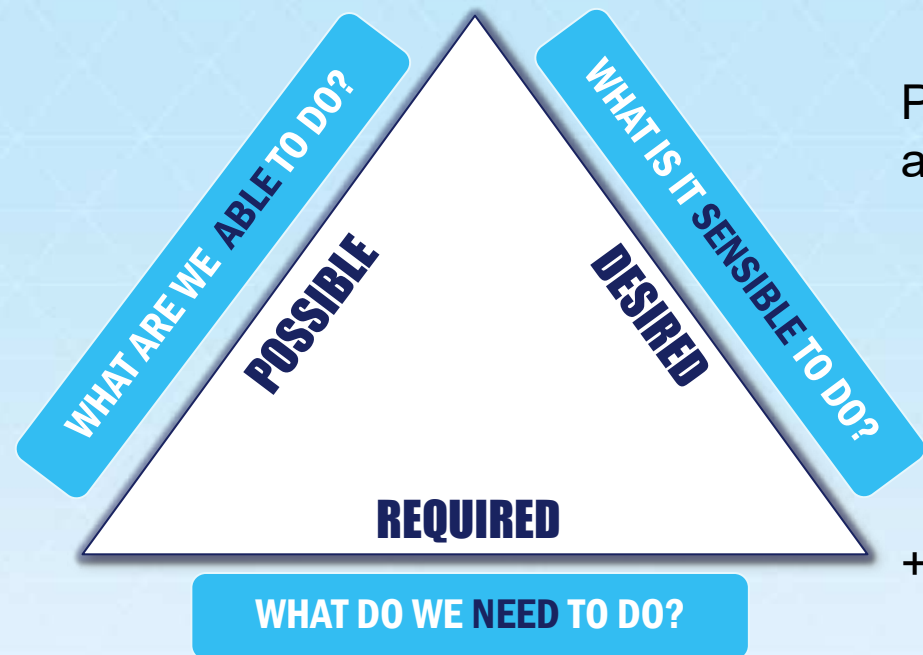
Only by assisting our clients to become industry benchmarks for prudent judicious risk management and financing, can we enhance our own reputation.

We are measured by the success of our clients

Be fierce but commercial client advocates

Always seeking fair value and flexible structure but being mindful of the fact our client's bankers provide the money and the hedging lines and our ideas and advice are worthless without them.

Achieving the Right Balance



Provide a degree of protection against adverse price moves that:

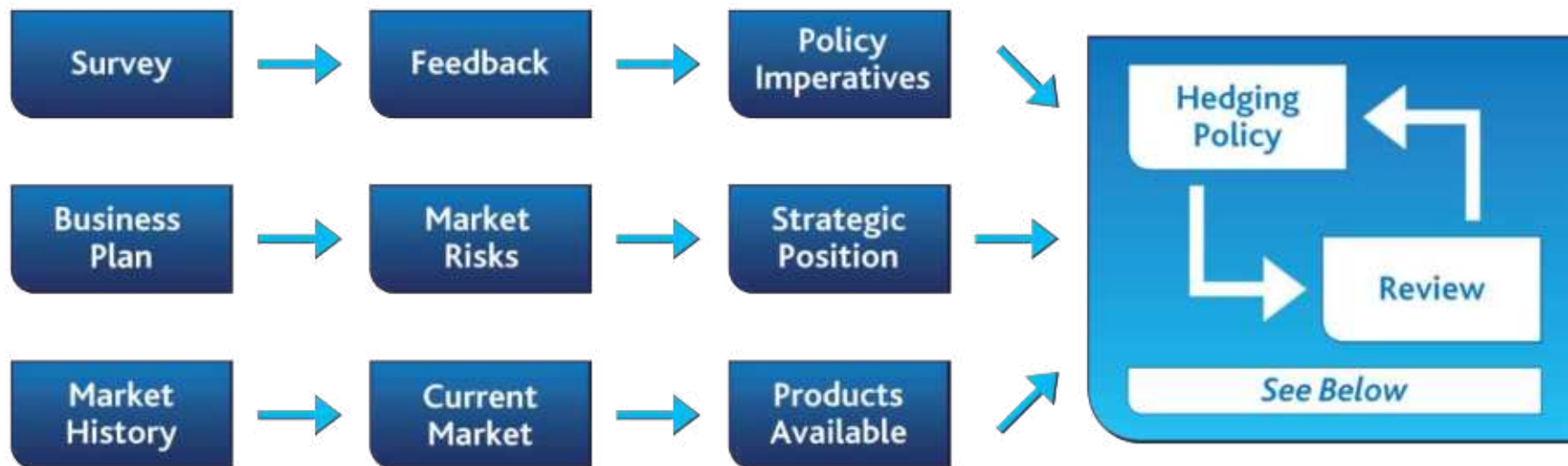
- increases the probability that minimum return expectations can be met; and,
- ensures debt can be serviced comfortably.

Determine:

- Company's "Point of Pain".
- Clear basis for lender hedge requirements.



Level One – Analysis

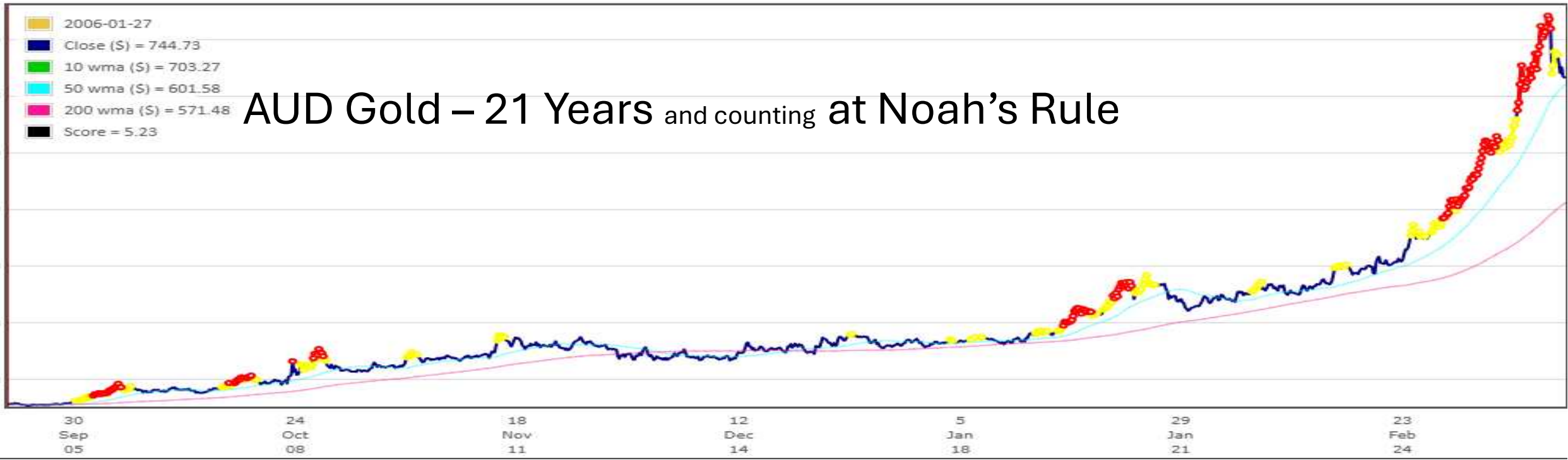


STRATEGY SESSION DELIVERABLES:

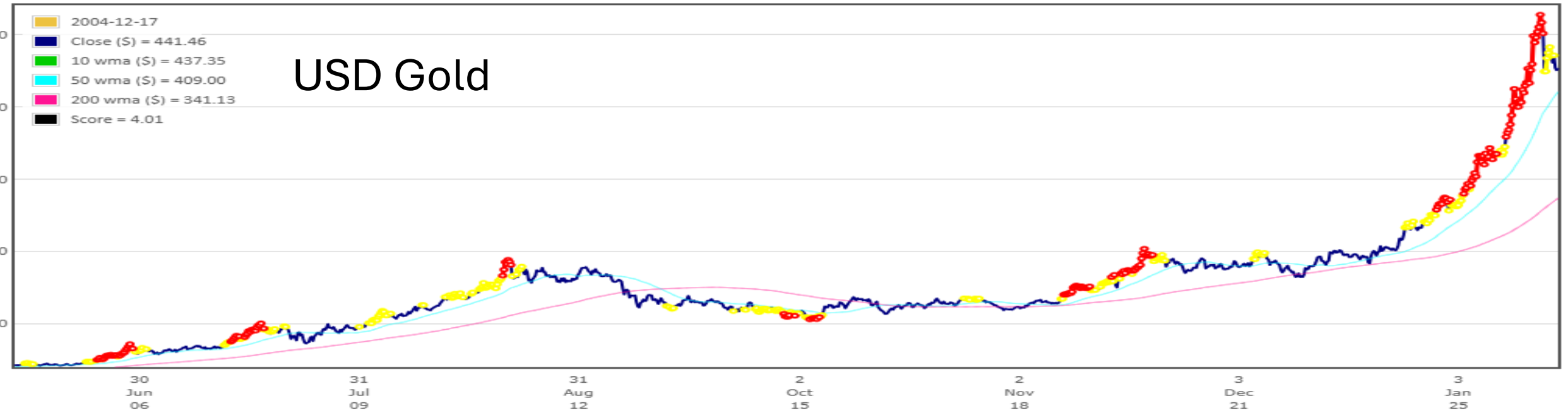
- a clear understanding of the market risks the company faces
- the sensitivity of the business to those risks;
- the tools at its disposal to manage the risk; and,
- how the structured management of that risk can support other strategic objectives.

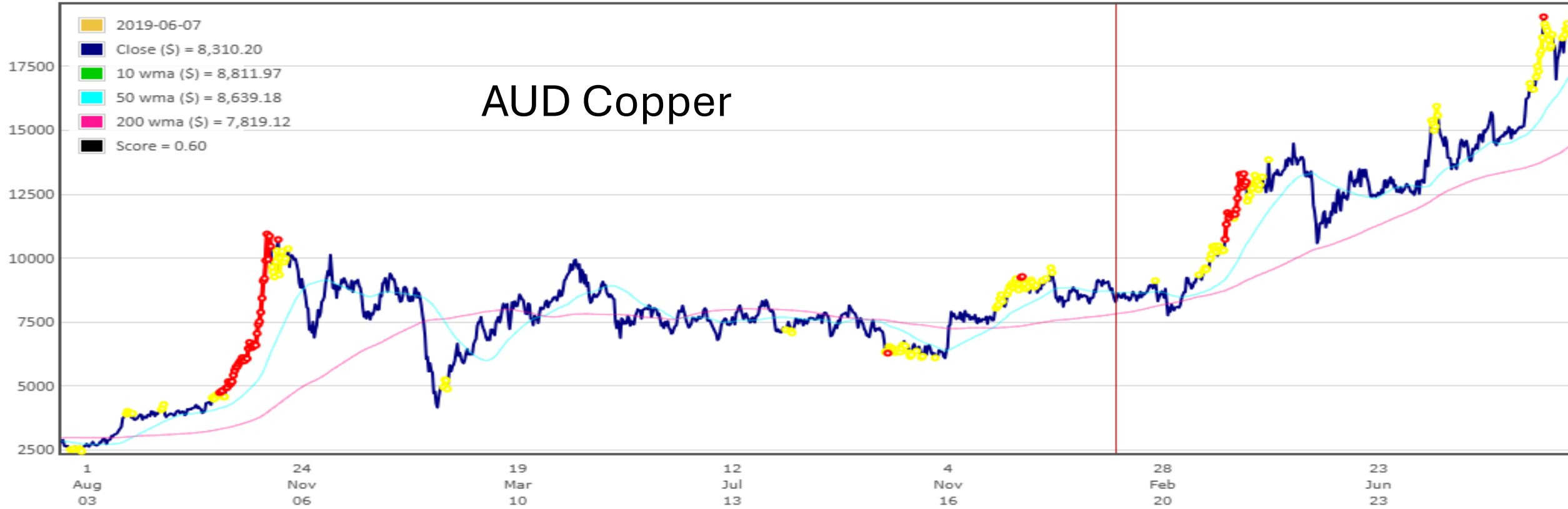
This will achieve strong buy-in for the process and give a clear direction on strategy determination which can be left to a smaller group to document and re-present to the Board for approval.

AUD Gold – 21 Years and counting at Noah's Rule

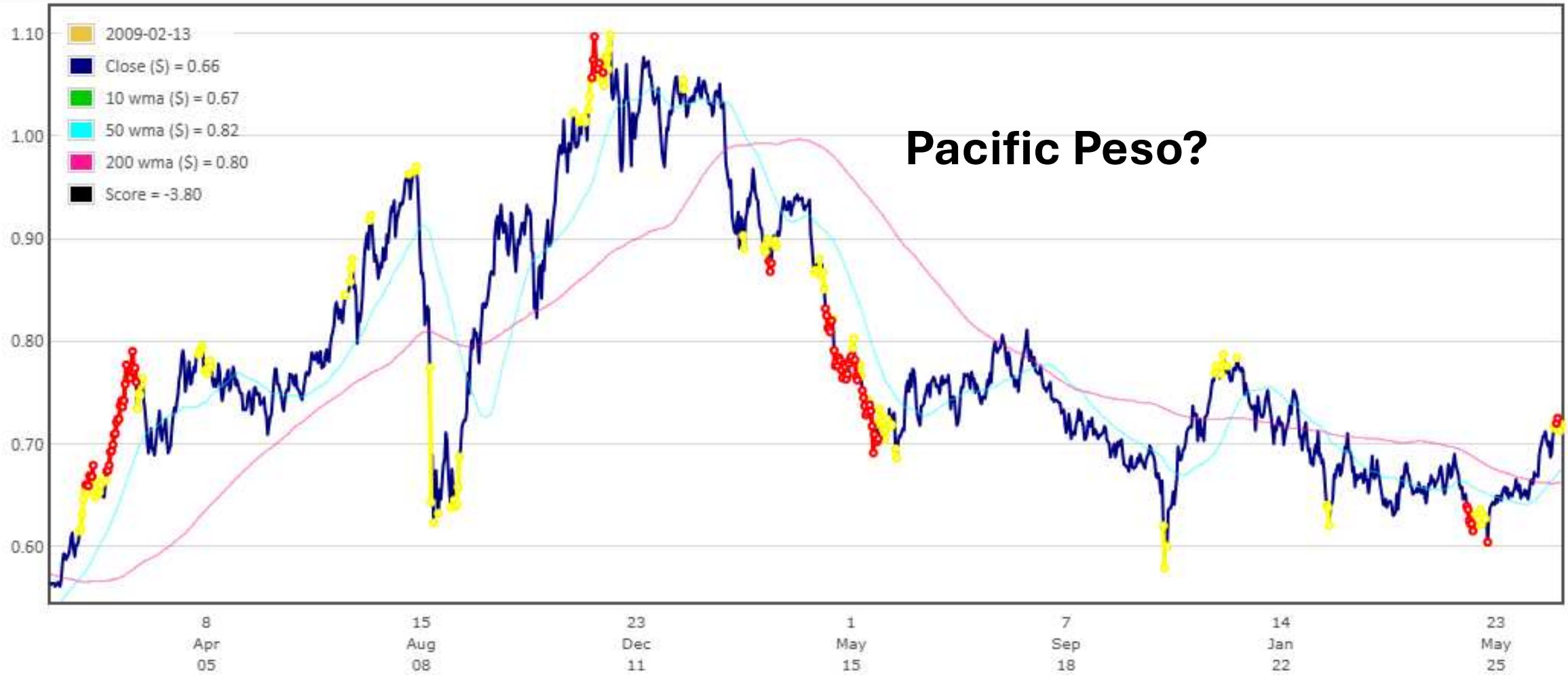


USD Gold

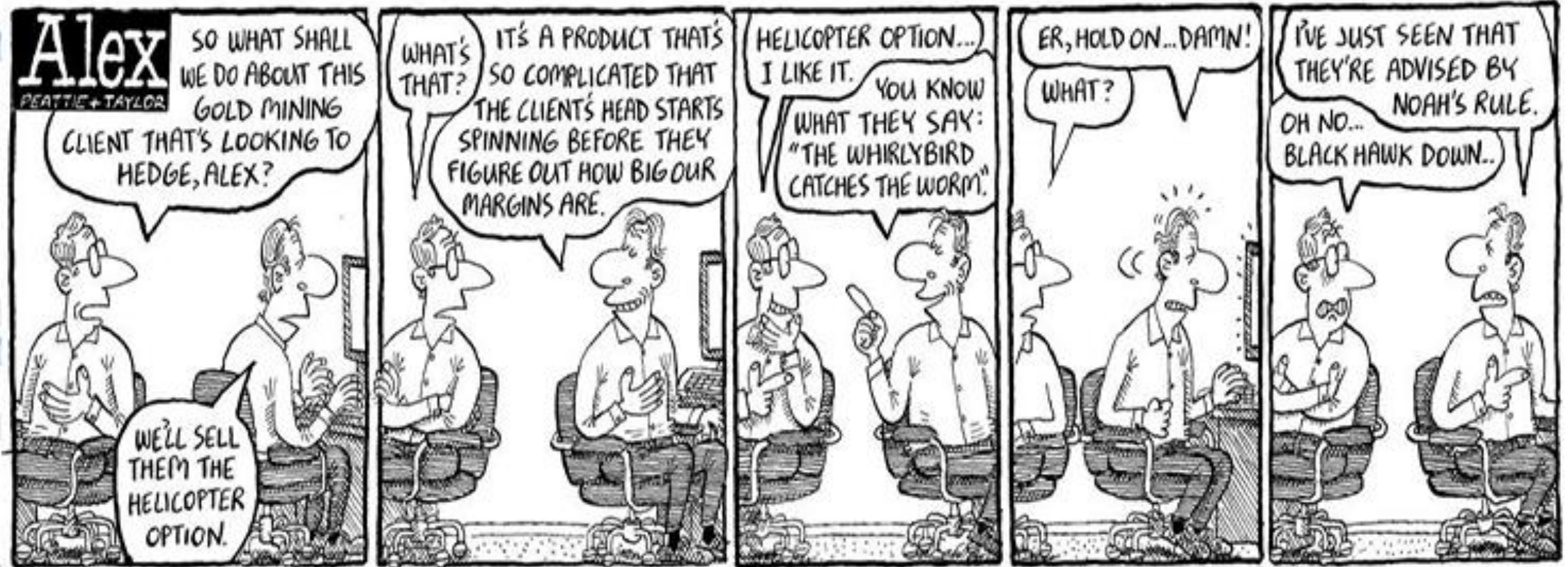




Pacific Peso?







Russell Taylor Charles Heathcote



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