

Hong Kong, Feb 21, 2024

Postcard from Perth, WA

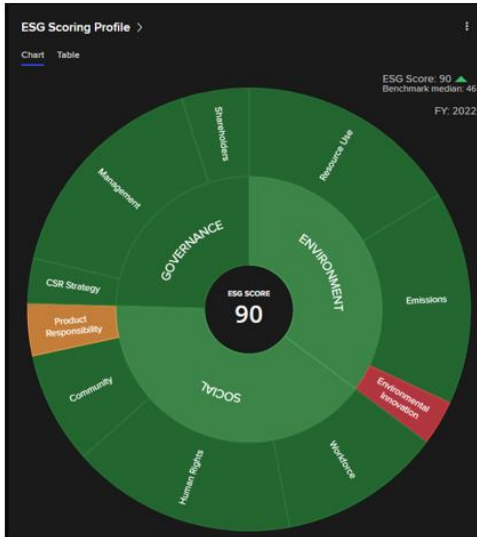
To kick off the auspicious Year of the Dragon, we embarked on an immersive journey last week in Western Australia, immersing ourselves in the local mining industry. Our primary objectives were to gain a comprehensive understanding of the industry's ESG (Environmental, Social, and Governance) practices and explore potential investment opportunities in the region.

During our exploration, we discovered that the mining industry is actively working towards achieving a more balanced gender representation. However, it faces significant challenges due to individual preferences based on education, skills, and prior experience. It is common for female workers to gravitate towards office-based roles, as they are less physically demanding, and it would be unrealistic to expect them to aspire to work on-site under extreme temperatures exceeding 45 degrees Celsius.

While mining companies are committed to gender equality, the female talent pool remains limited, and the qualifications of available female candidates are sparse. Given that management's primary focus is on project execution and value creation for shareholders, it is understandable that the industry's workforce is predominantly male, reflecting the talent pool available. Therefore, the simple integration of diversity ratios, whether in the workforce or board, as a measure of social score may not necessarily be positively correlated with a company's operational and financial performance.

A comparison between major player Newmont and mid-tier producer Westgold reveals that the current conventional rating system shows a negative correlation with a company's stock performance. This can be attributed to the fact that companies are often evaluated based on the quantity of data they provide to rating agencies, rather than the quality and materiality of that data to their overall performance.

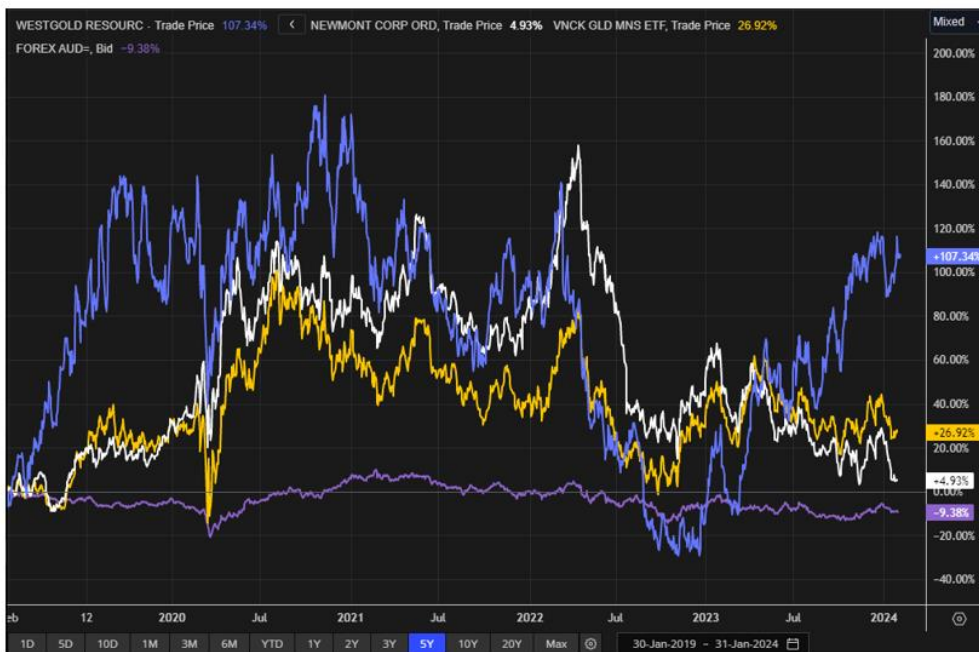
Conventional ESG no longer relevant



Source: Refinitiv

“A comparison between major player Newmont and mid-tier producer Westgold reveals that the current conventional rating system shows a negative correlation with a company's stock performance”

Heaven for stock-pickers



Source: Refinitiv

During our trip, we had the opportunity to meet with the management of Magnetic Resources, a successful exploration company based in Perth. George, a seasoned mining executive, pointed out that the current rating methodology overlooks safety metrics, which are crucial for monitoring a company's performance on-site. He emphasized that maintaining the safety of staff and contractors is of utmost importance to ensure project progress and prevent delays caused by safety concerns.

Moving forward, we are committed to enhancing our assessment of mining companies by incorporating relevant ESG indicators. By doing so, we aim to drive the outperformance of our top-tier mining investment list compared to the general market.

As we continue our journey, we remain dedicated to identifying sustainable investment opportunities in the mining sector, considering both financial performance and responsible business practices. We look forward to sharing our findings and recommendations with you in the near future.

