

2020/21 FINANCIAL YEAR IN REVIEW

GLOBAL NATURAL RESOURCES

Despite FY21 commencing in the midst of the pandemic, commodity prices staged a spectacular recovery from their virus-induced lows, prompting speculation of a new “supercycle”. The year to 30 June 2021 saw strong performance from global natural resources companies, with the S&P Global Natural Resources Index gaining 36% in Australian dollars, outperforming the MSCI World, S&P500 and NASDAQ 100 indices.

The three natural resource sub-sectors, Mining, Energy and Agriculture all delivered strong returns for the year.

Agriculture remained a strong performer, while Mining broadly matched the index through the year, performing well from November 2020.

The Energy sector's performance belies some the challenges faced due to oil oversupply and demand reduction. The sector was down 25% into October, before staging an impressive recovery to end the year up 26%.

Of the resources sub-industries, there were three standouts over the year, with Solar (up 123%), Lithium (up 111%) and Clean Energy (up 72%) delivering strongly. The performance of these sub-industries points to continued momentum toward decarbonisation.

The US climate summit saw declarations by a number of nations to net zero emissions targets and the US re-signing the Paris Agreement. China's President Xi also pledged to cut coal consumption starting from 2026 and reiterated the country's 2060 carbon neutrality target. To achieve the carbon neutrality goals there must be quick, but long-term action by governments and companies – this is a broad, multi-decade transition.

This thematic affects companies exposed to renewable energy, the global transition to electric vehicles and the establishment of a circular economy, where waste is eliminated, products recycled and plastics substituted. Conversely, this is an investment theme that is likely to disrupt industries with traditionally higher carbon footprints.

“ To achieve the carbon neutrality goals there must be quick, but long-term action by governments and companies – this is a broad, multi-decade transition.”

Daniel Sullivan, Head of Global Natural Resources

Underpinning much of the clean energy transition is the development of battery power storage, and this is a theme that continues to excite us. In China, domestic lithium ion battery production has doubled in the past year, while new electric vehicle sales have been very strong, driving further demand for battery raw materials. Lithium carbonate prices have almost doubled this year, which has been a boon for lithium companies.

Our investment approach remains to be well diversified to capture value across the range of opportunities in the “electric metals” (copper, nickel, lithium, platinum, rare earths), the circular economy (paper, aluminium, renewable diesel and steel), sustainable food (science based foods and agricultural production), renewable energy (wind and solar power, industrial gases and hydrogen), low cost oil and gas, and gold and silver.

Our principle driver of stock selection remains bottom-up driven and regardless of the resource, we continue to invest in companies with world class assets, low costs, growth, strong balance sheets, good or improving environmental, social and governance profiles and strong management teams.



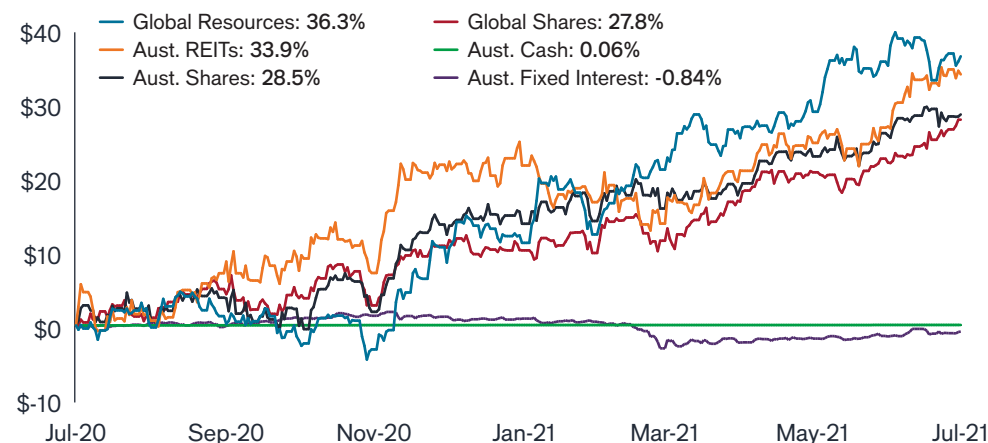
Daniel Sullivan,
Head of Global
Natural Resources

Key takeaways

- The year to 30 June 2021 saw strong performance from global natural resources companies, with the S&P Global Natural Resources Index gaining 36% in Australian dollars
- Underpinning much of the clean energy transition is the development of battery power storage.
- Our investment approach remains to be well diversified to capture value across the range of opportunities in the electric metals, the circular economy, sustainable food, renewable energy, low cost oil and gas, gold and silver.

FY21 in numbers

Index returns (%)



Note: Past performance is not a guide to future performance. Source: Bloomberg. Daily cumulative returns to 30 June 2021. Note: Aust. shares = S&P/ASX 300 Accum Index; Global Resources = S&P Global Natural Resources Index (net dividends reinvested) in AUD; Global Shares = MSCI World (ex Aust.) Accum Index – in AUD; Aust. REITs = S&P/ASX 300 Property Accum Index; Aust. Fixed Interest = Bloomberg AusBond Composite Bond Index (All Maturities); Aust. Cash = Bloomberg AusBond Bank Bill Index. 'Copper' = Change in LME 3-month price per lb. 1 July 2020 - 30 June 2021. 'Oil' = Change in WTI Crude Oil spot price per barrel 1 July 2020 - 30 June 2021. 'Corn' = Change in spot price per bushel 1 July 2020 - 30 June 2021. 'Commodities' = Change in Bloomberg Commodities Total Return Index 1 July 2020 - 30 June 2021. Commodity prices are in US dollars (USD).

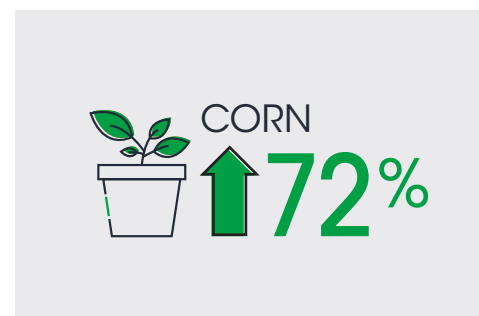
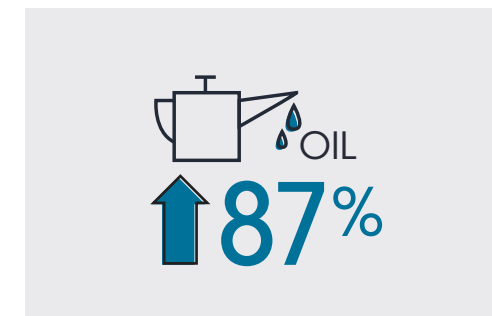
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INVESTORS

The views expressed in this report are those of the Janus Henderson Global Natural Resources team.

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