

OAM Uranium Opportunity

Factsheet – October 2018

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OBJECTIVE AND STRATEGY

The OAM Uranium Opportunity Certificate (the "Vehicle") is a thematic conviction play on the recovery of the uranium market. The Vehicle invests predominantly into listed equities of uranium mining companies but has the ability and flexibility to allocate funds across the entire capital structure.

The objective is to maximize total return over an investment horizon of three to five years.

INVESTMENT UNIVERSE

The investment universe comprises equities and fixed income securities of uranium mining companies globally as well as equities of listed special purpose vehicles holding inventories of uranium oxide. For the purpose of liquidity management, the vehicle may deploy a portion of its assets into money market instruments.

INVESTMENT PROCESS

The manager actively seeks suitable investment opportunities through a combination of bottom-up research and top-down industry cycle analysis:

- Bottom-up research of listed uranium mining companies includes the in-depth analysis of their mining and processing methods, reserves/resources, development strategies and management teams' track record together with a comprehensive analysis of their cash flows, profitability and capital structure.
- Top-down industry cycle analysis comprises estimating and monitoring changes in global uranium supply/demand factors such as inventories, production/consumption dynamics and geopolitical developments.

INVESTMENT ADVISOR

Oclaner Asset Management is advised on this strategy by Alexander Molyneux, founder and former Chairman of TSX-listed Azarga Uranium Corp., and more recently, until July 2018, CEO of the world's second largest independent pure-play uranium company, ASX-listed Paladin Energy Limited.

KEY RISKS

Key risks include credit risk, portfolio volatility and concertation risk, macroeconomic shocks, liquidity risk, market risk, technological shifts and geopolitical risks.

Past performance is no guarantee of future results. Both the market price for certificate shares and their NAV will fluctuate with market conditions.

FACTS AND DATA

ISIN	FREXA0014078
CURRENCY	USD
NAV FREQUENCY	DAILY
SUBSCRIPTIONS	DAILY
REDEMPTIONS	DAILY WITH 30 DAYS NOTICE
MANAGEMENT FEE	1.0%
HURDLE RATE	12.0%
INCENTIVE FEE ¹	20.0%
VEHICLE	PLEGDED CERTIFICATE (AMC)
ISSUER	EXANE FINANCE

MANAGEMENT TEAM

MANAGER	OCLANER
ADVISOR	ALEXANDER MOLYNEUX
OPERATIONS	EXANE FINANCE
CUSTODIAN	BNP PARIBAS S.S.

ABOUT OCLANER

Oclaner Asset Management is an investment management company based in Singapore serving accredited investors². The company is regulated by the Monetary Authority of Singapore (MAS) and holds the Capital Markets Licence (CMS100167) for fund management. Services include managed accounts, a full suite of thematic mutual funds as well as direct investment opportunities.

1. Subject to 12% hurdle rate and high watermark

2. As defined in the Securities and Futures Act



OAM Uranium Opportunity

Inaugural Report – October 2018



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“Maybe everything that dies someday comes back”

Bruce Springsteen, Atlantic City

Uranium has suffered the most savage bear market seen in any commodity. From its peak of \$152 in June 2007, the price collapsed to reach \$18 in December 2016.

The magnitude (88%) and the length of this bear market (close to 11 years since its peak) have decimated the uranium mining industry. Today, the market capitalization of miners has shrunk by more than 90%. At the current spot price of \$27, approximately half of the global production is below breakeven. The mining industry has responded with a production cut of 26% in 2018, a great deal more than similar cuts for iron ore in 2015–2016.

As a result, for the first time in a decade, the market is moving into primary supply deficit. Interestingly, when the market moved into supply deficit in 2004, uranium spot price jumped from \$20 to \$152 in 3 years. Some miners registered tenfold gains and Paladin Energy, an Australian mining company, a twentyfold gain.

In recent months, numerous converging hints indicate that the market may be at the beginning of a new bull cycle:

1. Uranium spot prices have started a steady ascent, making it the second best performing hard commodity YTD (+16%), behind oil (+21%)
2. Volume on the spot market has tripled YTD from a very low point
3. Financial market activities such as IPO/placement and roadshow attendance is on the rise

Oclaner has been actively involved in the sector for the past 7 years. Our analysis indicates that the uranium mining sector presents the most convex return profile available within the commodity complex. With no pure fund or ETF, there are great barriers to entry for investments into the sector. Analyzing each company in detail is no mean feat, as they operate in various countries, have vastly different mining processes and lack sell side research coverage.

To capitalize on this opportunity, we are launching the OAM Uranium Opportunity vehicle, a high conviction pure play on uranium. We have teamed up with mining industry’s veteran Alexander Molyneux. Alex, former CEO of Paladin Energy, the world’s second largest independent pure-play uranium company, will provide his expertise and act as the strategy advisor. Having him on board will bring invaluable market insights and a deep understanding of each company’s asset, balance sheet and corporate governance.

Based on Alex’s analysis of a normalized price range between \$45–75/lb, some mining companies could register between threefold to sevenfold returns over the next 3 years.

Following the Fukushima incident, various movements, particularly in certain countries in the West, have opposed nuclear energy growth. However, in fast growing economies, where coal is the main source of electricity (66% in China), the level of pollution is becoming increasingly unacceptable and several governments have embraced nuclear technology to reduce their carbon footprints.

In the US, nuclear energy represents 20% of electricity production against 3.6% in China, where only 36 reactors are operating (versus 99 in the US). The Chinese authorities have launched the construction of 21 reactors and have approved 31 more for construction.

After all, maybe everything that dies someday does come back.