



# DIVERSIFICATION MATTERS Report 12

## Canadian manager collects in the metals and mining market

B. G., Opalesque Geneva:

The Delbrook Resource Opportunities Master Fund, a metals and mining equity long/short hedge fund, is up 114% YTD (up to end-August), after returning about 20% each month from April to July. By comparison, the XME ETF is down 14% YTD ([XME](#) tracks an equal-weighted index of U.S. metals and mining companies). The managers at Delbrook are prepared for further noise and volatility in the metals and mining market in Q4, and are betting on the decarbonization of passenger transportation and greater shifts in global electrification. The founder will be speaking in the upcoming [DIVERSIFICATION MATTERS](#) webinar.

### The Fund

The Fund has annualised 79% since inception in September 2018, with a standard deviation averaging 8%. In 2018, it returned 3% when the metals and mining equity market was down. It featured in one of Opalesque's [Corona Fighters](#) reports.

The Caymans-domiciled Fund invests primarily in publicly listed companies that are focused on precious, base, energy and industrial metals production and exploration. It uses relative value, event-driven, and long duration investment strategies. As a complement to bottoms up security selection, the team also looks for companies that are positioned to benefit, or be disrupted by, changing structural and macroeconomic factors - including the growth in electric vehicles (EV) and the M&A boom that has begun.

## CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD) (SEP 2005 – SEP 2020)



Source: [msci.com](https://www.msci.com)

It is managed by Delbrook Capital Advisors, based in Vancouver, Canada, one of three global mining hubs ([according to](#) Global Business Reports, Vancouver had last year more than 800 mining companies and juniors headquartered in the city).

The firm's Canadian domiciled Delbrook Resource Opportunities Fund, launched in 2013, has done well too.

Before founding Delbrook in 2010, Matthew Zabloski was a portfolio manager at Fidelity Management and co-founder of CI Cambridge Advisors. He will be speaking in the upcoming webinar [DIVERSIFICATION MATTERS](#) - Episode 2, on October 27th at 10 am EST.

### Fourth quarter: expect noise and volatility, watch Tesla

There is buoyancy in the metals and mining market these days. Q3-2020 was the best quarter for metals since 2016. However, copper futures suffered their worst drop on October 1st since March. But gold is pulling metals along, and in the future, metals is the sector most likely to continue to appreciate, [said](#) Bloomberg Intelligence's Mike McGlone. Metals will continue to be in demand and is the best place to be, he added. MetalBulletin.com [reported](#) that, according to the LME, with equities and yields now heading higher and the dollar weakening on Trump's recovery, metals look set to work higher. BarclayHedge's Financial and Metal Traders Index is up 0.9% YTD.

“Our strategies typically enjoy low correlations with the broader market,” says a recent Delbrook newsletter overviewed by Opalesque. “This is the result of the ‘hard asset’ nature of our universe and the research-heavy security selection approach we deploy. We take a long term view to portfolio management vs. focusing on monthly or quarterly performance marks. However, we do hedge and make tactical decisions to reduce short-term risk to the portfolio when we see risks on the horizon. The US presidential election and continued pandemic-related economic uncertainty are likely to lead to a noisy and volatile fourth quarter. While we are not quick to bet against the resiliency of the global economy, we continue to struggle with the pace of the so-called ‘recovery’ and are positioning accordingly.”

For the fourth quarter, the manager expects the decarbonization of passenger transportation and greater shifts in global electrification will become a more dominant investment theme.

“We will be watching Tesla’s Global Battery Day on September 22 for further evidence of the direction and evolution of this theme, and the implications on our investment universe. The company is expected to reveal several advances which should allow for production increases - a strong positive for the demand profiles of specific commodities. We estimate a near-term shortage of specific battery components, specifically those meeting ESG standards and look to the news flow from Tesla as further validation. The electrification of vehicles requires lithium, nickel, copper, and cobalt for battery production.”

Related article:

29.May.2020 Opalesque Exclusive: [Metals and mining fund finds opportunity in volatility](#)

## WEBINARS:

**Matthew Zabloski, Managing Director & CIO of Delbrook Capital, will be speaking at the second episode of the Diversification Matters webinar series, where Opalesque presents investment managers who not only were up / protected in Q1-2020, but also YTD and in previous years. To view the webinar, please click here:**

- **Registration (free): [www.opalesque.com/webinar/](http://www.opalesque.com/webinar/)**
- **Time: Tuesday, Oct. 27th 2020, at 10 am EST**