

## Preview: A Value Investor's Approach to Natural Resources

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Investing in the natural resources sector is often excluded from the investment mandate of value investors due to the inherent volatility and need to forecast macroeconomic factors. I am a value investor at heart, however my professional investment mandate at Pala Investments focuses largely on managing investments within the metals and mining sector. As such, I continually assess the framework under which one can be an investor in the natural resources sector while still adhering to sound value investing principals.

Warren Buffett has openly commented on commodities as an asset class, which is often interpreted as regarding the sector as uninvestable:

“The problem with commodities is that you are betting on what someone else would pay for them in six months. The commodity itself isn’t going to do anything for you.”  
-Warren Buffett

In the first component of my presentation at MOI Global’s Best Ideas conference I would like to discuss how we can justify investing in natural resources sector from a value investment perspective.

From there I would like to propose a framework for evaluating the long-term prospects of individual companies and commodities in order to ensure that selected investments align with unchanging economic realities that will endure shorter-term changes in macroeconomic variables.

With a long-term framework in place, I will then discuss the medium and short-term factors that frame the timing and sizing of prospective investments, as well as key risks to be assessed throughout the process.

Finally, I will outline my investment thesis for Ivanhoe Mines, applying the process and frameworks as discussed above. Ivanhoe Mines is a Canadian-listed mining company founded by Robert Friedland. The company’s primary assets are based in the Democratic Republic of Congo and South Africa. Ivanhoe is in the process of unlocking one of the world’s greatest copper discoveries in addition to having world-class zinc and PGM (precious group metals) assets.