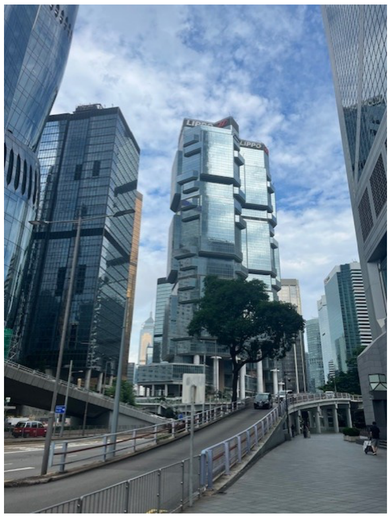
Dispatch from
Hong Kong & Australia 2024

VSA capital

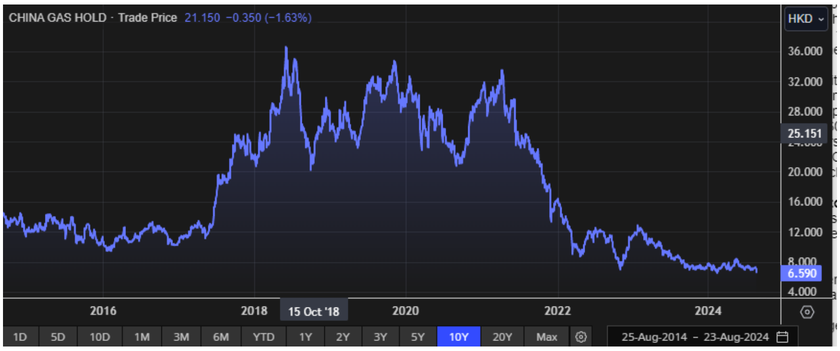


Our Dear Leader is back on his travels; going east again to **Hong Kong** and **Australia** to meet with clients, foster existing relationships and make some new ones. As he is always fond of telling everyone, ideas don't come out of screens, you have to **get out there and meet people**.

Before Andrew had even set off, he had noticed a change in Hong Kong hotel rooms, which used to cost a small fortune for a tiny room and are now at least half the price so you can afford more room than just to swing a cat (for the avoidance of doubt, Andrew doesn't actually swing cats in hotel rooms!). Andrew has also noticed that Lan Kwai Fong (LKF) is no longer a late-night hot spot as all the late-night bars and crowds of drinkers have gone (just checking for research purposes of course!). He is told many Hong Kongers now take the high speed train the 17 minutes to Shenzhen for the weekends to party there as it is much cheaper and even livelier: how Hong Kong has changed!

There is no doubt that HK in general is quieter and lacking some of its former "buzz" with also far fewer westerners. HK was built off financial services and property and both these sectors have been severely impacted on mainland China which is being reflected in HK. China will take quite a few years to recover is the feeling Andrew is picking up, as when the property sector collapses so do many of the service and utility sectors that run alongside it.

As an example, **China Gas Holdings** (a major gas supplier to domestic users with 60m customers) now finds growth very difficult but at least it can throw off cash. It has been smart and developed an "amazon type" service for its customers, and this 'Value Added Services' division is **currently looking to IPO in the US** (we are not quite sure why Our Dear Leader is not doing that in London).



One thing about China is that it does have a huge consumer customer base and a very clever, hardworking population so it will get back on track but that will take quite a few years we suspect. The performance of China Gas Holdings reflects we believe a fairly accurate position of the Chinese economy.

Hong Kong has always had an interest in the **natural resources sector** being so linked to China, although its own Stock Exchange doesn't have any natural resources stocks listed so investors are pretty exchange agnostic. Australia does tend to be the prime market for investment being in a similar time zone and of course has great home-grown companies. Andrew has a strong belief that we are about to enter a **very strong 3–5-year bull market for commodities** based on three main fundamental points.

1. **Commodities are inherently cyclical,** and the industry has been largely starved of cash and in a downturn for about 15 years with very little new production coming on stream. This suggests an upswing is inevitable and imminent and, in some commodities, you are seeing supply constraints.
2. **Battery and Critical Metals are seeing new demand** and from a geopolitical point of view, more and more countries want their own supply.
3. But perhaps Andrew's most controversial point is that he believes that the **Bretton Woods Agreement is all over**. Actually the Bretton Woods system collapsed in the 1970s because the US$ was no longer pegged to the

gold price but the fundamental principles of Bretton Woods remained and they were that the US$ was the global currency, free trade would be allowed globally, and the US would be the global 'police force'.

It was set up at the end of the Second World War to help rebuild growth, but unlike the end of most wars when the victor "conquers" the land, the US and its allies returned Germany (or at least West Germany) to the Germans and Japan to the Japanese and simply restored world order. Many believe a new 'Agreement' is required but it feels unlikely whilst there is so much global instability. If the Bretton Woods Agreement is all over then it is likely that the US$ will be less of a global currency as well as less stable, so a new currency will take its place: Andrew posits that because there really is no successor (despite efforts from China for the Yuan and Europe for the Euro), then it becomes commodities.

We have already seen the Chinese sell trillions of US$ to try and be dominant in certain commodities and of course **gold** which has always been a global currency is currently **very much back in favour**. Andrew does not believe it will be Bitcoin although digital currencies run by governments are likely to grow in use. Of course, not all commodities move together, and China's slowing construction and weak property markets have seen **iron ore** fall considerably as well as **vanadium** used to strengthen it. But some of the lesser-known commodities are the ones which Andrew really likes along with his favourites of **gold, silver, copper and tin**.

Physical gold has made multiple all-time highs this year and is up 20.4% YTD with these factors supporting demand, particularly Central Banks diversifying away from US treasuries. Western investors who are the predominant buyers of mining equities are waking up, and we think the miners are breaking out against this long-term trend but have a long way to catch up. Over the last 12 months, gold juniors have outperformed the Nasdaq 100 by 8.3%.

Andrew is now headed to the land down under, to **Perth** and **Sydney**. He reports that **Hong Kong** was a very useful few days and there is **capital available for good mining deals** and so he is likely to return soon. The range of capital is from maybe $100/- as a PA punt (and he was asked frequently for ideas there) to up to $250mn from institutions.

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