Geiger Counter Limited

Investment companies | Update | 21 October 2021

Explosive performance

The uranium mining space has had an incredible year with a flurry of events that suggest nuclear is going to be of long-term importance in a decarbonising world, and that the demand-supply balance for a uranium market that is already in supply deficit may be unsustainable. Geiger Counter (GCL), with its small cap focus, has handsomely beaten its closest peers and captured the explosive performance of the sector during the last six months. The managers do not expect any new greenfield supply entering the market within the next few years and comment that GCL with its small cap bias, will continue to benefit disproportionately. They highlight holdings such as Nexgen (GCL’s largest holding – see page 15) as being well positioned to bring the scalable and strategically well positioned Arrow Deposit into production; Sprott Physical Uranium (see page 16) as being held successfully against gearing in anticipation of improving price and sentiment outlook; and Kazatomprom as being both the largest global producer of U3O8 and a strategically important supplier of uranium.

Capital growth from a diversified global portfolio of uranium stocks

GCL aims to provide investors with capital growth by investing in a portfolio of securities of companies involved in the exploration, development and production of energy, as well as related service companies. Its main focus is the uranium sector, but up to 30% of assets can be invested in other resource-related companies. These include, but are not limited to, shares, convertibles, fixed-income securities and warrants.

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Source: Morningstar, Marten & Co
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Domicile  Jersey
Inception date 7 October 1994
Manager Keith Watson and Robert Crayfourd
Market cap 67.1m
Shares outstanding (exc. treasury shares) 104.9m
Daily vol. (1-yr. avg.) 479.6k shares
Net gearing 10.2%

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Click here for GCL’s peer group analysis

Analysts
Matthew Read mri@martenandco.com
James Carthew jc@martenandco.com
Jayna Rana jr@martenandco.com

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Market outlook

Uranium demand driven by power production

According to Natural Resources Canada, more than 99% of uranium produced is used to make fuel for nuclear power plants (other uses include the production of medical isotopes and fuel for research reactors). Power production is therefore the key driver of the long-term uranium price on the demand side.

Nuclear power plants are high capital expenditure (Capex), long-term investments, with uranium supply typically tied to long-term contracts. Given this, and the fact that nuclear power stations are expensive to ramp up and down, demand for uranium tends to be price-inelastic, at least in the short to medium term.

Concentrated production leaves market open to supply side shocks

Uranium is reasonably abundant within the earth’s crust and, whilst it may require additional permitting and be subject to additional regulation when compared to other commodities, it is not technically difficult to mine. Uranium processing is heavily regulated, but mining permitting is not unduly onerous (although, see page 12 for discussion of how an increased environmental, social and governance (ESG) focus is contributing to greater permitting times across the full spectrum of hard commodities). However, uranium production is highly concentrated; the top five producers collectively control around 60% of production, while the top 10 account for around 85%. Furthermore, around 48% of production is located in regions of geopolitical risk (primarily Kazakhstan and Russia), while the US accounted for 0.1% of production during 2019, but accounted for around 31% of consumption.

The concentration of production in specific regions, companies and mines leaves the uranium market vulnerable to supply-side shocks, as was illustrated with the increase in the spot uranium price in response to reduced production as a consequence of the spread of COVID-19 (around 20% of global production was taken offline as companies have sought to implement distancing measures designed to both limit the spread of the virus and minimise the potential damage to their businesses).

Poor pricing environment has curtailed capital investment and led to production cuts

Over time, a lower uranium price has choked off supply as more expensive projects have been taken out of production. Data from Uranium Participation Corporation suggests that supply close to 42m lbs per annum has been removed from the uranium market since 2016. This progression is illustrated graphically in Figure 1.
The uranium market has been in supply deficit since 2018

As illustrated in Figure 2 below, the uranium market was already in supply deficit prior to the outbreak of the pandemic, with users running down global inventory. The pandemic had little impact on the demand for uranium, so the rate of stock depletion accelerated. This tightened the uranium market and drove up the spot price, as is illustrated in Figure 3.

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Figure 1: Production curtailments between 2016 and Q1 2021

- COVID-19 Pandemic prompts mine shutdowns most notably Cigar Lake and slowdown in Kazakhstan
- Cameco announces indefinite shutdown at McArthur River
- Paladin announces indefinite shutdown at Langer Heinrich
- Kazatomprom reiterates 20% reduction in production levels
- Cameco announces 10 month suspension at McArthur River
- Kazatomprom curtails 2017 production by 10%
- Cameco suspends Rabbit Lake and US operations, and reduces production at McArthur River

Source: Uranium Participation Corporation, Marten & Co

Figure 2: Global U₃O₈ production and global U₃O₈ demand 2010-2019 (tonnes)

- Total global production of U₃O₈
- Global demand for U₃O₈

Source: World Nuclear Association – data updated May 2021, Marten & Co
The primary driver behind the market’s rapid shift to deficit production in 2018 was production cuts by major producers such as Kazakhstan and Cameco; both have stated the need for materially higher pricing before increasing output.

Current demand-supply imbalance does not appear to be not sustainable over the longer term

There is evidence to suggest that the current situation may not sustainable over the longer term. Specifically:

- The US government is now offering nuclear plants a zero-emission credit in recognition of their zero carbon emissions. This helps to level the playing field against renewables and fossil-fuelled generation.
- President Joe Biden’s US$2tn infrastructure and clean energy plan (the American jobs plan) includes nuclear power as part of “critical clean energy technologies”. It also lists “reclaiming” domestic uranium mining as a goal. The plan has a focus on the development of small modular reactors (SMRs) which are better suited to load following or supporting renewables generation.
- Biden’s plan calls for the creation of an “Advanced Projects Agency on Climate” that will look to create cutting-edge technologies to help the US achieve its clean energy targets. This includes advanced nuclear reactors that are smaller, safer, have greater efficiency and lower construction costs than today’s reactors.
- Having had government proposals to close them, South Korea and Taiwan voted to retain their nuclear power stations.
- France extended its time-frame for de-emphasising nuclear within its power mix (it was targeting a reduction to 50% by 2025, but this has been extended by 10 years to 2035).
- Higher-priced long-term supply contracts to utilities have been running off over the past couple of years. This has led to a rebalancing in the market as mine supply has been curtailed, and in some cases utility supply contracts (for example Cameco) have been fulfilled by U₃O₈ purchased in the market.
- Japan has been slow to restart its nuclear reactors following the Fukushima disaster in 2011. However, the country has set an objective to raise the share of nuclear power to 20–22% by 2030 (it accounted for around 7.5% in 2019) and is targeting net zero by 2050. More importantly, there has been a recent surge in activity. Japan confirmed the restart of its Kansai-owned Mihama 3 nuclear reactor in late June. The reactor has required upgrade work but, following the completion of this, the reactor has been granted a 20-year extension to its operating life. Two other reactors at Kansai’s Takahama facility are also expected to restart once upgrade work has been completed.
- An increasing volume of demand for uranium is not covered by long-term contracts. Data from Uranium Participation Corporation suggests that by 2025, approximately 50% of demand will be uncovered, increasing to approximately 65% by 2030 and beyond.
- France, the world’s second largest nuclear power market after the US, has announced support and funding for further development of its nuclear generating capacity.
Physical buying by investment trusts, particularly Sprott Physical Uranium Trust, has tightened market conditions and may have injected impetus into the fuel price.

The managers’ thoughts on some of these issues are explored in more detail below.

**Managers’ view**

Although it retrenched during the second half of 2020, the uranium price saw a substantial uplift in the second quarter of 2021 as markets tightened. GCL’s managers say that, in tandem with the recent energy crunch in many regions around the world, Sprott Asset Management’s deal to restructure Uranium Participation to become The Sprott Physical Uranium Trust has prompted a marked positive shift in the commodity price. The Sprott Trust has garnered significant investor appetite and has been actively purchasing material on the spot market using some of its US$1.3bn funding capacity. The Trust has indicated an objective of retaining this material for the long-term, in effect becoming a long-term holder thus removing available supply from the market. The Sprott Trust purchasing follows commentary by the two largest miners, Cameco and Kazatomprom, that they would both acquire more material in the spot market to fulfil supply contracts in the second half of this year rather than produce more uranium. GCL’s managers say that it is these twin effects have spurred strong performance in the U₃O₈ price which has risen above US$50/lb.

GCL’s managers say that nuclear power is benefitting from a positive swing in sentiment in its direction. They say that both NGOs and investors are increasingly aware of the need for nuclear power, both as a non-carbon-emitting energy source and to provide baseload power in support of the green energy agenda (for example, what use is having an electric car if it is charged using carbon-intensive generation). Whilst renewables are an ever-increasing component of energy supply, production is intermittent in nature, making nuclear an essential part of the energy mix. The managers think that the current supply deficit is unsustainable and will drive a continued recovery in the uranium price, which will bring new projects into production, particularly as current market uncertainties are making it difficult for new projects to advance.

GCL’s managers have observed that the fundamentals of the uranium industry were showing a marked shift in fortunes following a 10-year bear market, prior to the outbreak of COVID-19. 2018 marked a crucial point in their view, with the uranium market moving from a supply surplus to a supply deficit. The global pandemic initially served to exacerbate this deficit by taking further production capacity out of the market, as it did for a lot of hard commodities, at a time where demand for uranium saw little change. This accelerated the rate of drawdown from global inventories and drove up the spot price of uranium in the short term.

GCL’s managers believe that financial markets are now more acutely aware of the supply and demand imbalances in the uranium market, and this has led to sustained higher pricing for uranium equities with the smaller caps, to which GCL is exposed, benefitting more fully than the large caps. However, as discussed in the next section, the managers think there is much more to go for from here.
Considerable room for price appreciation from here

GCL’s managers believe that uranium price needs to reach around US$45 per pound for mines to restart. GCL’s managers have previously indicated that the uranium price needs to reach around US$45/lb for mothballed mines to restart production and considerably more to incentivise new greenfield developments. The uranium price was in the region of US$34 per pound at the end of August, but has risen since and is currently in the region of US$50 per pound. However, given Kazatomprom’s indication in August 2021 that national uranium production would continue to target levels some 20% below those allowable under subsoil use rights to the end of 2022 (effectively removing around 14mlbs of Kazakh production from forecast supply for 2022, which is equivalent to approximately 10% of assumed world uranium output from mining), they still see room for considerable price appreciation from here, with a knock-on effect for uranium equities.

For the time being, GCL’s managers are not expecting any genuinely new supply to come back into the market. They observe that the Cigar Lake mine, which was suspended twice in response to COVID-19 (it was first shut in March 2020 and re-opened in September 2020, but was then shut again in December 2020 and only re-opened in April 2021), is only providing marginal economics at current spot prices. In its Q1 2021 update, Cameco said that as a result of the suspension in production, it had also experienced delays and deferrals in project work, including lower capital expenditures, which introduces potential risk to the mine’s production rate in 2022. Following a brief suspension due to local wildfires, the mine has restarted and Cameco has reiterated sales guidance of 23-25mlbs for 2021. It expects to purchase 11-13mlbs during 2021, which implies an increase in purchase

Source: Kazatomprom National Atomic Company Prospectus of 15 October 2018, Marten & Co
during the second half given that it purchased 3.9mlbs during the first half. Kazatomprom has also announced plans to maintain 2023 production at a similar level to that in 2022, which it suggests will remove around 13mlbs from global uranium supply for that year. These developments, in conjunction with rising power prices (discussed below) have had a positive impact on the prices of uranium equities.

Long-term uranium outlook unchanged, while building back greener initiatives may accelerate the process

While the outbreak of COVID-19 reduced energy demand initially, as economic activity was curtailed in many places, and some industrial activity went off-line, vaccine roll-outs have been taking effect across the globe, allowing restrictions to ease. Aggregate demand for power is recovering strongly. Against this backdrop, there has been strong demand for commodities generally (many of which saw supply heavily curtailed by cutbacks in exploration and capital investment in response to the pandemic), which has caused a general spike in commodity prices, with coal and gas prices particularly affected.

The rise in commodity prices, alongside a sharp increase in the carbon prices (for example, the EU carbon price continued its rally and is now trading around €65 per tonne, having started the year around €32 per tonne), has led to a steep increase in power prices. This, along with the supply headwinds described above, has been positive for uranium equities. Additionally, looking beyond the near-term, GCL’s managers say that the drivers that support growing demand for uranium are unchanged, with the indication towards a supply-demand balance that favours producers.

GCL’s managers still expect that demand growth will be driven by a build-out of new reactors led by emerging regions of China and India, which are focusing on improving air quality (see next section). However, one of the impacts of the pandemic has been to expose the frailties of infrastructure in many parts of the world, and governments are looking to infrastructure spending as a way of boosting the economy and supporting employment. This is positive for commodities in general, as infrastructure investment is inherently commodity-intensive, but a key feature of many governments’ recovery plans are initiatives similar to “build back greener”, which is a cornerstone of UK government policy.

For example, alongside a UK Government white paper released in December 2020 which set out plans for a clean energy system and green jobs boom to build back greener, the government also confirmed that it is to enter negotiations with EDF in relation to the Sizewell C project in Suffolk. It also said that it is considering options to enable investment in at least one nuclear power station by the end of this Parliament. The government added that it is continuing to explore a range of financing options for new nuclear with developers, including the Regulated Asset Base (RAB) funding model, which could help secure private investment and cost consumers less in the long run, and that it will also continue to engage with other developers with interest in the UK new nuclear market. To facilitate this, the UK government is creating an Advanced Nuclear Fund of up to £385m. The purpose of the fund is to support the development of Small Modular Reactors and to support research and development into more advanced nuclear technologies, such as
advanced modular reactors, as these technologies progress towards commercialisation.

**Emerging markets are driving demand growth, particularly in China**

GCL’s managers say that nuclear is entering a period of renaissance in the east, where its credentials as a zero-carbon source of base load power are appreciated, primarily for its benefits of displacing polluting coal-fired power generation, but also because of global pressure over climate change and concerns around the longer-term supply of fossil fuels as the world seeks to decarbonise.

As illustrated in Figure 4, there is demand growth, with global nuclear operating capacity expected to expand from around 389 gigawatts (GW) in 2020 to around 465GW by 2025 (an increase of 20%). As also illustrated in Figure 4, emerging markets are primarily driving this expansion with China, India and Russia at the forefront.

As we have discussed previously, China has developed a “cookie-cutter” approach to building nuclear reactors that is allowing it to ramp up its generation capacity – the managers say that it is targeting capacity increases from 15GW in 2013 to 200GW by 2030 and 400–500GW by 2050. This aligns with narrative from Uranium Participation. It says that Asia & Oceania remain the key driver of growing demand and are expected to represent over half the global market by 2040. It also says that declines in North America and Western Europe are expected to be more than offset by the Asian build-out. However, GCL’s managers think that this may be overly
pessimistic. They think that a more realistic scenario is that developed world governments will keep extending the lives of their existing nuclear fleets, as this will be necessary to meet their climate change commitments.

Figure 5: Nuclear reactor new builds – top four regions

As an aside, China connected Unit 5 of the Fuqing nuclear power plant to its national electricity grid in November 2020. This new unit, which entered commercial service in January 2021, is the first Hualong One reactor. Hualong One is a Generation III pressurised water nuclear reactor built using Chinese-only technology. It was developed by the China General Nuclear Power Group (CGN) and the China National Nuclear Corporation (CNNC). GCL’s managers believe that it is likely the CNNC will look to use this design as a template for development in other emerging nations as part of China’s Belt and Road initiative. If successful, this could be another source of uranium demand.

In addition, the managers highlight that a report published by UxC on China’s nuclear power build-out points out that, having fallen behind on its national targets, there has been a rapid increase in China’s new build preparations. The report says that advanced planning is in place for 21 units accounting for approximately 20GWe of capacity across 10 different sites, all of which are set to start construction by 2024. When combined with reactors currently operating and under construction, this would take China’s nuclear capacity to approximately 80GWe by 2030. If achieved, this would put China’s installed capacity within grasping reach of the 100GW currently installed in the US – which is currently the world’s largest nuclear power generation market.

Unlike nuclear, renewables are not yet suitable for baseload

The managers acknowledge that renewables will be an increasing part of the power generation mix for all countries, but say that this will displace fossil-fuelled generation rather than nuclear, which is still the greenest solution for baseload. Renewables, with their higher output volatility, are unable to displace this portion of the global power supply. Utility scale batteries will help reduce this volatility over time, but this technology is still young and way below the necessary scale to provide...
a solution. In the UK, the government is relaxing planning rules to make it easier to build large-scale batteries to store the energy from renewable sources, but in a trend repeated globally, it is yet to develop a framework to incentivise the build-out of the necessary battery infrastructure, which still appears to be some way off.

**ESG considerations are increasing permitting times**

As the row about the UK’s proposed new coal mine in Cumbria illustrates, environmental, social and governance (ESG) considerations are increasing focus on both governments and markets, which GCL’s managers believe is increasingly limiting the ability of commodity producers to add new supply across the board. Mining is generally a dirty activity and can be an environmentally unfriendly one as well. GCL’s managers say that as societies look to improve their environmental footprint, it is becoming increasingly hard to get the necessary planning permission and permits to develop new mines. This means that this process takes longer and by extension it also means that supply demand imbalances, with the opportunity to earn supernormal profits, have the potential to last for longer before they are competed away.

**Asset allocation**

As at 31 August 2021, GCL’s portfolio had exposure to 38 issues, in line with the 38 issues as at 28 February 2021 (six months prior), and an increase of two over 12 months. GCL’s portfolio is highly concentrated. The top five holdings have tended to account for around 55% of the fund in recent years, although this has seen a noticeable reduction of around five percentage points during the last year (see Figure 9) so that, as at end of August 2021, the top five holdings accounted for 51.9% of GCL’s portfolio. The more recent slight reduction follows some profit taking from some of the top 5 positions and reinvestment of proceeds into other existing holdings outside of the top positions, which have also experienced strong relative performance against the improved commodity price backdrop.

To protect the company from being unduly exposed to arbitrageurs, details of its holdings are limited to the top five largest positions in its monthly factsheets. Greater detail is provided in its annual and interim reports, but this data is inevitably more dated by the time these reports are released.

**Concentrated and low turnover portfolio of uranium stocks**

In part reflecting the managers’ investment style, but also the concentrated nature of the industry (ten producers control around 85% of supply between them), GCL’s portfolio is inherently low-turnover. Changes in the composition of the top five holdings (discussed in more detail below) are frequently driven by differences in near-term relative performance, rather than other considerations. The managers typically expect portfolio turnover to be around 10% per annum (9.3% for the year ended 30 September 2020), but much of this will be trimming stocks whose prices have got ahead of themselves, and adding to holdings where the managers see more value.
Figures 6 and 7 show the portfolio’s geographical allocation and sectoral allocations as at 31 March 2021 and 30 September 2020 respectively (this being the most recent publicly available data). These highlight a number of themes:

- Whilst GCL has a global mandate, North America (particularly Canada) and Australia dominate the portfolio. These are viewed by the manager as politically safer regions that have “extractable pounds”; that is, they have good geology and mining-friendly environments.

- Over half of GCL’s portfolio is invested in what the manager believes are safer assets; that is, producers or companies backed by physical uranium.

- Pure exploration plays are a limited component of the portfolio.

Although not illustrated in Figures 6, 7 and 9, GCL’s portfolio has a strong bias towards small and mid-cap uranium mining companies. For example, GCL does have an investment in Cameco but this accounted for some 2.6% of net assets as at the end of August 2021 (up slightly from 2.3% as at the end of September 2020). The bias towards small and mid-cap companies reflects the managers’ view that these generally have superior growth prospects (for example, production improvements or improvements in reserves) and, generally being less well-researched, it is also where the manager is more likely to find a mispriced security.

As at 31 March 2021, GCL had four unlisted investments, which were valued in total at £2.02m and accounted for 6.3% of its net assets. It also held three unlisted warrants, which were valued at £1.03m in total and accounted for 3.2% of GCL’s net assets.

As discussed above, GCL has a significant exposure to physically-backed uranium entities through its holdings in the rebadged Sprott Uranium Trust and Yellow Cake Plc. However, in comparison to alternatives such as the URA exchange traded fund (ETF), GCL is relatively underweight Cameco.
GCL is permitted to borrow and has a credit facility with Credit Suisse Dublin AG that incurs interest at a rate of Libor + 1.75%. The facility is flexible, allowing the managers to move money on and off the table when they consider it to be appropriate. Whilst GCL’s articles of association do not have any specific borrowing limits, the board has previously said that GCL’s borrowings are not expected to exceed 35% of its net assets.

Figure 8 provides an illustration of GCL’s net gearing levels at month-end over the last five years. As is illustrated in Figure 8, GCL’s net gearing was on a declining trend since the end of March 2020 – a period in which the outlook for uranium has improved significantly and, reflecting this, GCL’s holdings have performing strongly. As is also illustrated in Figure 8, GCL’s net gearing hit its five-year low at the end April 2021 and, while this remains markedly below its five-year average, it has been increasing again recently, with a sizeable uptick during September.

Top five holdings

Figure 9 shows GCL’s top five holdings as at 31 August 2021 and how these have changed since over the six months from 28 February 2021.
**Figure 9: Top five holdings as at 31 August 2021**

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<th>Holding</th>
<th>Sector</th>
<th>Country</th>
<th>Allocation 31 August 2021 (%)</th>
<th>Allocation 28 February 2021 (%)</th>
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<td>Nexgen Energy</td>
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<td>Sprott Physical Uranium</td>
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**Total of top five**

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<th>Allocation 31 August 2021 (%)</th>
<th>Allocation 28 February 2021 (%)</th>
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<td>51.9</td>
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Source: Geiger Counter Limited, Marten & Co

Names that have moved up to the top five are Sprott Physical Uranium Trust and NAC Kazatomprom.

Holdings that have moved up into the top five are Sprott Physical Uranium Trust (formerly Uranium Participation Corporation) and NAC Kazatomprom. Names that have slipped out of the top five are Denison Mines and High Power Exploration. Reflecting both the concentrated nature of the uranium sector and the manager's long-term, low-turnover approach, the names in the top five portfolio holdings will be familiar to regular followers of GCL's portfolio announcements and our notes on the company. Some commentary on the largest holdings and some of the more interesting developments are presented in the next few pages. Readers interested in other names in GCL’s portfolio should see our previous notes, where many of these have been previously discussed (see page 26 of this note).

**NexGen Energy (24.6%) – well positioned to bring the Arrow Deposit into production**

NexGen Energy (www.nexgenenergy.ca) has been GCL’s largest holding, by a significant margin, for some time. It is a uranium exploration and development company with a portfolio of projects that are centred on the Athabasca Basin in Canada, where it holds over 259k hectares of land. NexGen’s southwestern Athabasca Rook 1 property hosts the Arrow Deposit, the South Arrow discovery, the Harpoon discovery, the Bow discovery and the Cannon area. All of these are 100% owned by NexGen.

As illustrated in Figure 10, NexGen’s share price has performed very strongly since the end of November 2020 and despite its recent retrenchment between June and August this year, is up 230% between the end of November 2020 and 19 October 2021. Despite this strong performance, GCL’s managers remain very positive on the outlook for NexGen, which remains a core GCL holding. GCL’s managers like NexGen’s assets, its management team and its financial strength. The company secured $30m of financing in May last year via debentures that carry a 7.5% coupon over a five-year term to 27 May 2025, and GCL’s managers consider that the company is well-positioned to bring the Arrow Deposit into production.
UR-Energy (8.1%) – benefitting for improving outlook for nuclear in the US

Long-time GCL holding UR-Energy (www.ur-energy.com) is a junior uranium mining company that operates an in-situ uranium recovery facility at its Lost Creek property in south-central Wyoming. It also owns the Shirley Basin and Lucky Mc mine sites in the Shirley Basin and Gas Hills mining districts of Wyoming. The company’s tailings facility at the Shirley Basin site is also one of the few remaining facilities in the United States that is licensed by the US Nuclear Regulatory Commission (NRC) to receive and dispose of by-product waste material from other in-situ uranium mines.

UR-Energy’s share price has performed very strongly since early November 2020, benefitting both from strong interest in the sector as well as the positive news from the Biden administration that nuclear is a key component of its clean energy plans, as well as its intention to create a strategic inventory of uranium and related services. GCL’s managers continue to like the company, which they say has decent quality assets and a proven operational record.

Sprott Physical Uranium (7.1%) – added to earlier this year to increase downside protection

On 19 July 2021, a transaction was completed that saw shareholders in Uranium Participation Corporation become unitholders in the Sprott Physical Uranium Trust (sprott.com/investment-strategies/physical-commodity-funds/uranium). Regular readers of our notes on GCL and the company’s literature will recognise Uranium Participation Corporation as a long-time and significant holding of GCL’s. The transaction was effected on the basis of two Uranium Participation shares for one Sprott Physical Uranium Trust share.

Like its predecessor vehicle, the Sprott Physical Uranium Trust is a fund that invests in uranium oxide and uranium hexafluoride, which aims to achieve appreciation in the value of its uranium holdings through increases in the uranium price. The fund also lends its uranium to third parties from time to time. All uranium owned by the company is stored at licensed uranium conversion, enrichment, or fuel fabrication facilities that are owned by different organisations in Canada, France, England, Germany, the Netherlands and the United States.

In its guise as Uranium Participation Corporation, the fund was managed by Denison Mines Inc, a wholly-owned subsidiary of Denison Mines (see page 17 of our July 2020 note). However, following the transaction, the fund is managed is being by Sprott Asset Management LP, which describes itself as a global leader in precious metals and real assets investments. Sprott is supported by WMC Energy, a global commodities merchant with significant experience in the nuclear fuel cycle, which advises and assists with all matters involving physical uranium. Sprott says that it believes that its global brand, fund marketing experience, and client base of more than 200,000 investors will improve trading liquidity and grow the fund’s asset base during what Sprott believes is the start of a bull market for physical uranium.
As illustrated in Figure 12, the fund saw strong share price appreciation since the end of November 2020, in line with other uranium equities such that, by the end of July 2021, the share price had increased by 30.9%. However, the share price spiked sharply upwards from mid-August so that, by 19 October 2021, it had gained an additional 44.9%, despite correcting from the middle of September. Previously, GCL’s managers added to the holding in February using the proceeds from new share issuance as they felt this would offer better downside protection following strong share price gains in the space, meaning that GCL has benefitted from this strong price appreciation.

**IsoEnergy (6.7%) – well funded and has benefitted from encouraging drilling results**

IsoEnergy Limited (www.isoenergy.ca) is a TSX-listed uranium exploration and development company with a portfolio of prospective projects that sit in the Athabasca Basin in Saskatchewan, Canada. The company’s board and management team has a track record of successful exploration, development and operations, within the uranium mining space. IsoEnergy was founded by NexGen Energy (GCL’s largest holding), which remains its largest shareholder with a 64% interest in the company. NexGen describes IsoEnergy as holding “a highly prospective portfolio of Eastern Athabasca Basin properties”. These include Thorburn Lake (7km from Cigar Lake) and the Radio Project (adjacent to the Roughrider deposit). IsoEnergy is well-funded and benefits from support from NexGen Energy.

As illustrated in Figure 13, Iso Energy has posted very strong share price gains during the last year. In addition to strong positive sentiment around uranium, Iso Energy has benefitted from encouraging drill results that were announced in October.

**NAC Kazatomprom (5.3%) – reduced production targets a key driver of price rises for uranium equities**

NAC Kazatomprom (www.kazatomprom.kz/en) was last discussed in our November 2019 update note. The company is the world’s largest uranium producer and its production accounts for 35-40% of global uranium supply (this includes production attributable to its joint-venture partners, although Kazatomprom typically owns at least 50% of such projects). A Kazakhstan SOE, Kazatomprom describes itself as the national operator for the import and export of uranium, rare metals, nuclear fuel for nuclear power plants. Crucially, Kazakhstan has extensive uranium reserves and Kazatomprom has priority rights to these.

The move up GCL’s rankings is largely a consequence of Kazatomprom’s strong share price appreciation, as illustrated in Figure 14. This arguably reflects the scale of its operations and the pricing power this affords it in the current market environment. Kazatomprom’s reduction in its production targets, alongside those of Cameco (detailed on pages 7 to 9) have contributed to a tighter market outlook for uranium, which has driven up the price of uranium equities more generally.
Performance

Uranium has suffered from a decade-long bear market, following the Fukushima disaster in 2011, and this is still evident in the longer-term horizons (five years and above) in Figure 17 below. Inevitably, the poor pricing environment has seen production capacity exit the market (see Figure 3 on page 8) allowing the spot price to recover. Over time, this has improved the fortunes of the sector, albeit with periods of marked volatility as sentiment has fluctuated.

In 2018, the market moved into supply deficit and, with major players having mothballed mines and reduced their output, no significant production capacity is expected to now enter the market until the uranium price has increased substantially from here (large players such as Cameco and Kazatomprom have been buying uranium in the spot market to fulfil long-term contracts). This move into supply deficit was a significant turning point that has laid the foundations for a recovery in uranium equities.

As illustrated in Figure 16, GCL, with its small cap bias, underperformed both the Global X Uranium ETF and Cameco until the COVID-related market collapse of 2020. As discussed in our last note, this took capacity out of the market in the short term, supporting both the uranium price and, consequently, uranium equities. However, as the market has recovered, governments across the globe have re-focused their attention on the green agenda and there have been a number of developments, particularly over the last six months, that appear to have been very supportive of uranium equities. Whilst GCL’s NAV had previously underperformed, due to its bias away from the majors, which responded more quickly during the recovery, it has recently outperforming a strongly rising uranium market as smaller cap stocks have benefitted disproportionately. Key developments during the last six months include:

- an announcement by the US government that it is building a strategic inventory of uranium and related services. More recently, the Biden administration has announced its support for Federal subsidies to keep existing nuclear power plants open and maintain existing nuclear capacity;
- a major cold snap in the US saw around 50% of the wind turbine generating capacity in Texas freeze, while a state power distribution company was forced to file for Chapter 11 bankruptcy protection as power prices spiked, both highlighting the dependability of nuclear;
- an offshore earthquake of 7.1 magnitude hit the Fukushima power plant in Japan with no effect, amplifying calls to speed up reactor restarts in the country. As noted on page 6, the Mihama 3 reactor has been allowed to restart. Permission has also been given for two of Kansai’s other reactors to restart, once upgrade work has been completed;
- buying from a number of major players (Denison, Boss Resources and Yellow Cake) has refocused investors’ attention on the tightness of the uranium market;
- Orano, the French state-owned uranium mining company, confirmed the closure of its Cominak mine at the end of March 2021. The mine, which was the world’s largest underground uranium mine, closed after 47 years of production due to the depletion of the deposit; and
China released a blueprint for the build out of its nuclear power, including plans to accelerate the construction of their reactor fleet. The country plans to build between six and eight reactors a year until 2025, taking production capacity from around 50GW in 2020 to 70GW in 2025, and then 120GW in 2030.

**Figure 15:** GCL share price and NAV versus the Global X Uranium ETF and Cameco – rebased to 100 over five years to 30 September 2021

As illustrated in Figure 15, GCL’s share price has been consistently ahead of its NAV and the Global X Uranium ETF and Cameco’s share over the last five years. In comparison, its NAV has broadly held its own for most of the last five years but has strongly outperformed over the last twelve months. NexGen Energy (GCL’s largest holding) has been a strong positive contributor, benefitting from increased interest in the sector. The company has recently announced its intention to list on the ASE.
**Figure 16:** GCL NAV performance relative to the Global X Uranium ETF and Cameco – rebased to 100 over five years to 30 September 2021

Source: Morningstar, Marten & Co

![Graph showing performance comparison](image)

**Figure 17:** Cumulative total return performance over periods ending 30 September 2021

<table>
<thead>
<tr>
<th></th>
<th>1 month (%)</th>
<th>3 months (%)</th>
<th>6 months (%)</th>
<th>1 year (%)</th>
<th>3 years (%)</th>
<th>5 years (%)</th>
<th>10 years (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCL NAV</td>
<td>20.8</td>
<td>21.5</td>
<td>36.0</td>
<td>184.6</td>
<td>118.4</td>
<td>122.5</td>
<td>(31.1)</td>
</tr>
<tr>
<td>GCL share price</td>
<td>26.6</td>
<td>28.5</td>
<td>30.5</td>
<td>160.4</td>
<td>116.9</td>
<td>203.0</td>
<td>(19.4)</td>
</tr>
<tr>
<td>Cameco</td>
<td>20.0</td>
<td>16.1</td>
<td>34.2</td>
<td>107.1</td>
<td>87.9</td>
<td>158.6</td>
<td>60.6</td>
</tr>
<tr>
<td>Global X Uranium ETF</td>
<td>16.0</td>
<td>15.0</td>
<td>29.5</td>
<td>105.0</td>
<td>73.2</td>
<td>75.8</td>
<td>(41.7)</td>
</tr>
<tr>
<td>Peer group average NAV</td>
<td>8.8</td>
<td>6.5</td>
<td>16.4</td>
<td>53.7</td>
<td>51.3</td>
<td>58.1</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Peer group average share price</td>
<td>6.1</td>
<td>4.2</td>
<td>15.0</td>
<td>53.5</td>
<td>54.9</td>
<td>80.3</td>
<td>(2.5)</td>
</tr>
</tbody>
</table>

Source: Morningstar, Marten & Co

**Peer group**

GCL is a member of the AIC’s sector specialist commodities and natural resources sector, which is comprised of nine members. Eight of these are illustrated in Figures 18 through 20. However, for the purposes of this peer group analysis, we have excluded Global Resources Investment Trust (GRIT) and Tiger Royalties and Investments (TIR) on size grounds (both sub-£5m market cap).
Whilst they are all members of the commodities and natural resources sector, the funds used in this peer group comparison are quite diverse, and GCL is unique as it is the only fund that invests in listed uranium equities. There is one other fund, Yellow Cake Plc (YCA), that is focused on uranium. However, as discussed below, YCA invests in physical uranium.

Within the wider peer group, GCL and YCA are not the only funds with a narrow focus, however. For example, Golden Prospect Precious Metals is focused on gold; Riverstone Energy has a concentrated portfolio of energy companies that are primarily engaged in oil exploration and production; and the BlackRock funds are both primarily invested in larger cap stocks. As such, none of the funds used are perfect comparators for GCL.

Previously, we have excluded YCA from our analysis due to its relatively short life. However, YCA has now passed its third birthday (it listed on the AIM segment of the LSE in July 2018) and so now seems an appropriate time to start including it in this comparison. However, it should be noted that unlike GCL, which publishes daily NAVs, YCA tends to publish an NAV figure once a month. As such, there is greater uncertainty around its NAV performance versus that of the remainder of the peer group.

Figure 18: Peer group cumulative NAV total return performance to 30 September 2021

<table>
<thead>
<tr>
<th>Fund</th>
<th>1 month (%)</th>
<th>3 months (%)</th>
<th>6 months (%)</th>
<th>1 year (%)</th>
<th>3 years (%)</th>
<th>5 years (%)</th>
<th>10 years (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCL</td>
<td>20.8</td>
<td>21.5</td>
<td>36.0</td>
<td>184.6</td>
<td>118.4</td>
<td>122.5</td>
<td>(31.1)</td>
</tr>
<tr>
<td>Baker Steel Resources</td>
<td>0.4</td>
<td>(2.8)</td>
<td>(0.4)</td>
<td>29.2</td>
<td>77.3</td>
<td>132.6</td>
<td>(16.1)</td>
</tr>
<tr>
<td>BlackRock Energy &amp; Res</td>
<td>0.7</td>
<td>(1.6)</td>
<td>7.6</td>
<td>48.9</td>
<td>34.3</td>
<td>66.7</td>
<td>51.8</td>
</tr>
<tr>
<td>BlackRock World Mining</td>
<td>(8.9)</td>
<td>(9.2)</td>
<td>(0.5)</td>
<td>26.4</td>
<td>51.3</td>
<td>96.6</td>
<td>27.4</td>
</tr>
<tr>
<td>CQS Natural Resources</td>
<td>4.7</td>
<td>4.7</td>
<td>19.7</td>
<td>69.6</td>
<td>59.5</td>
<td>56.6</td>
<td>(8.3)</td>
</tr>
<tr>
<td>Golden Prospect</td>
<td>(8.1)</td>
<td>(15.2)</td>
<td>(10.3)</td>
<td>(32.4)</td>
<td>58.0</td>
<td>(16.8)</td>
<td>(54.1)</td>
</tr>
<tr>
<td>Riverstone Energy</td>
<td>N/A</td>
<td>N/A</td>
<td>19.4</td>
<td>53.1</td>
<td>(57.7)</td>
<td>(51.9)</td>
<td>N/A</td>
</tr>
<tr>
<td>Yellow Cake¹</td>
<td>61.1</td>
<td>54.6</td>
<td>59.8</td>
<td>50.4</td>
<td>68.9</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>GCL rank</td>
<td>2/7</td>
<td>2/7</td>
<td>2/8</td>
<td>1/8</td>
<td>1/8</td>
<td>2/7</td>
<td>5/6</td>
</tr>
<tr>
<td>Sector arithmetic avg.</td>
<td>8.8</td>
<td>6.5</td>
<td>16.4</td>
<td>53.7</td>
<td>51.3</td>
<td>58.1</td>
<td>(5.1)</td>
</tr>
</tbody>
</table>

Source: Morningstar, Marten & Co. Notes: 1) Data for the calculation of Yellow Cake’s NAV performance has been sourced directly from the company’s announcements.

YCA was established to purchase and hold triuranium octoxide (this is held in a storage account at Cameco’s Port Hope/Blind River facility in Ontario, Canada). It aims to provide investors with exposure to the uranium price and to exploit a range of opportunities offered by holding physical uranium.
Figure 19: Peer group cumulative share price total return performance to 30 September 2021

<table>
<thead>
<tr>
<th>Fund</th>
<th>1 month (%)</th>
<th>3 months (%)</th>
<th>6 months (%)</th>
<th>1 year (%)</th>
<th>3 years (%)</th>
<th>5 years (%)</th>
<th>10 years (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCL</td>
<td>26.6</td>
<td>28.5</td>
<td>30.5</td>
<td>160.4</td>
<td>116.9</td>
<td>203.0</td>
<td>(19.4)</td>
</tr>
<tr>
<td>Baker Steel Resources</td>
<td>(0.6)</td>
<td>(11.1)</td>
<td>(2.9)</td>
<td>26.8</td>
<td>102.4</td>
<td>194.7</td>
<td>(14.7)</td>
</tr>
<tr>
<td>BlackRock Energy &amp; Res</td>
<td>4.7</td>
<td>1.0</td>
<td>3.0</td>
<td>53.6</td>
<td>35.9</td>
<td>59.0</td>
<td>46.0</td>
</tr>
<tr>
<td>BlackRock World Mining</td>
<td>(7.4)</td>
<td>(13.0)</td>
<td>(7.2)</td>
<td>35.8</td>
<td>70.0</td>
<td>123.8</td>
<td>46.7</td>
</tr>
<tr>
<td>COS Natural Resources</td>
<td>2.8</td>
<td>(11.9)</td>
<td>0.2</td>
<td>57.5</td>
<td>55.2</td>
<td>56.5</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Golden Prospect</td>
<td>(12.5)</td>
<td>(19.7)</td>
<td>(10.5)</td>
<td>(29.8)</td>
<td>87.2</td>
<td>(16.6)</td>
<td>(64.8)</td>
</tr>
<tr>
<td>Riverstone Energy</td>
<td>11.7</td>
<td>39.5</td>
<td>86.8</td>
<td>59.1</td>
<td>(62.3)</td>
<td>(58.1)</td>
<td>N/A</td>
</tr>
<tr>
<td>Yellow Cake</td>
<td>23.6</td>
<td>20.4</td>
<td>20.0</td>
<td>64.5</td>
<td>33.5</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

GCL rank 1/8 2/8 2/8 1/8 1/8 1/7 5/6

Sector arithmetic avg. 6.1 4.2 15.0 53.5 54.9 80.3 (2.5)

Source: Morningstar, Marten & Co

Figure 20: Peer group comparison – size, fees, discount, yield and gearing as at 19 October 2021

<table>
<thead>
<tr>
<th>Fund</th>
<th>Market cap (£m)</th>
<th>St. dev. of NAV returns over 5 years</th>
<th>Ongoing charges (%)</th>
<th>Perf. fee</th>
<th>Premium/ (discount) (%)</th>
<th>Dividend yield (%)</th>
<th>Gross gearing (%)</th>
<th>Net gearing (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCL</td>
<td>67.1</td>
<td>52.9</td>
<td>3.91</td>
<td>No</td>
<td>11.6</td>
<td>Nil</td>
<td>10.2</td>
<td>10.2</td>
</tr>
<tr>
<td>Baker Steel Resources</td>
<td>89.4</td>
<td>24.8</td>
<td>2.07</td>
<td>Yes</td>
<td>(13.4)</td>
<td>Nil</td>
<td>0.0</td>
<td>(0.5)</td>
</tr>
<tr>
<td>BlackRock Energy &amp; Resources</td>
<td>119.7</td>
<td>27.8</td>
<td>1.26</td>
<td>No</td>
<td>(2.0)</td>
<td>3.9</td>
<td>5.7</td>
<td>6.2</td>
</tr>
<tr>
<td>BlackRock World Mining</td>
<td>1,063.5</td>
<td>29.6</td>
<td>0.99</td>
<td>No</td>
<td>(4.6)</td>
<td>3.5</td>
<td>13.7</td>
<td>9.8</td>
</tr>
<tr>
<td>COS Natural Resources</td>
<td>112.0</td>
<td>26.7</td>
<td>1.86</td>
<td>No</td>
<td>(18.0)</td>
<td>3.3</td>
<td>12.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Golden Prospect</td>
<td>38.5</td>
<td>39.4</td>
<td>2.07</td>
<td>Yes</td>
<td>(17.4)</td>
<td>Nil</td>
<td>13.4</td>
<td>13.4</td>
</tr>
<tr>
<td>Riverstone Energy</td>
<td>292.4</td>
<td>35.5</td>
<td>2.76</td>
<td>No</td>
<td>(29.0)</td>
<td>Nil</td>
<td>0.0</td>
<td>(9.1)</td>
</tr>
<tr>
<td>Yellow Cake</td>
<td>589.0</td>
<td>N/A</td>
<td>TBC</td>
<td>No^1</td>
<td>(7.1)^2</td>
<td>Nil</td>
<td>0.0</td>
<td>(17.2)</td>
</tr>
</tbody>
</table>

GCL rank 7/8 7/7 7/7 8/8 4/8 5/8 7/8

Sector arithmetic avg. 296.5 33.8 2.13 (10.0) 1.5 6.9 2.8

Source: The AIC, Morningstar, Company factsheets, Marten & Co. Notes: 1) Yellow Cake is internally managed. It has two employees: its CEO and CFO. All of the remaining funds are externally managed. Reflecting this, Yellow Cake does not have a performance fee per se, but its management team’s compensation includes an annual bonus in the form of nil-cost share options up to 100% of annual salary. Yellow Cake’s management also benefits from a long-term incentive scheme that is rewarded in the form of three-year nil cost options, up to 125% of annual salary. 2) Yellow Cake’s premium has been calculated using last published NAV of 385p per share as at 21 September 2021 and a closing price of 357.50p per share on the same day.

As illustrated in Figure 19, GCL’s NAV has provided good performance over the last twelve months as conditions in the uranium market have tightened as well as a general resurgence in commodities (notably during the 12 months). However, the
longer-term numbers reflect the 10-year bear market in uranium that was accelerated by the Fukushima Daiichi disaster. However, GCL is nonetheless the second-best performing fund of five years in terms of NAV total return, and the best performing fund in terms of share price total return. A similar pattern is witnessed in share price total return, albeit the returns are slightly different reflecting the relative movements in the premium/(discount) over the individual periods. Interestingly, only GCL was trading at a premium on 19 October 2021. Of the two uranium funds, GCL is the more expensive, but GCL has both a much longer track record and a much stronger performance record, although YCA is larger and has greater liquidity.

The volatility of GCL’s NAV returns is the highest within the peer group, perhaps reflecting the fact that it has a more concentrated portfolio than a number of the funds in the peer group, as well as having a narrow focus.

GCL has the highest ongoing charges ratio in its peer group. This does in part reflect its relatively small size. GCL does not pay a performance fee, GCL does not pay a dividend and, whilst we have incomplete information in terms of gearing (borrowing) levels across the peers, GCL’s net gearing has increased so that it is now above the sector averages again. This means that, all things being equal, it should benefit if uranium continues to perform well, but should suffer disproportionately if not.

**Premium/(discount)**

As illustrated in Figure 21, GCL has, during the last five years, moved from trading at a marked discount to a significant premium, albeit with marked volatility in the premium/discount. Furthermore, GCL has during the last three years overwhelmingly traded at a premium (an average of 6.6%). As we have discussed previously, the tightening in GCL’s discount has coincided with a recovery in the broader uranium market. Specifically, as supply conditions have tightened, the uranium price has recovered, and sentiment has improved. As we discussed in our August 2020 note, GCL was not immune to the market disruption that occurred in March last year in relation to COVID, but as is illustrated in Figure 21, the impact on GCL appears to have been limited. Broadly speaking, GCL appears to have settled into a trading range which is narrower than seen in prior to the COVID-related market collapse of March last year. As at 19 October 2021, GCL was trading at a premium of 11.6% (one-year average 4.7%), which is at the more expensive end of its recent trading range. Over the last 12 months, GCL has traded between a discount of 7.5% and a premium of 15.8%). The current premium arguably reflects current high power prices and the potential for a tight market for uranium going forward.

**Premium rating has allowed modest share issuance to continue**

GCL’s premium rating has allowed it to continue on its path of modest share issuance, to satisfy investor demand. Most recently, GCL issued 588.5k shares on 13 October 2021 at a price of 51.50p per share (a premium of 2.5% to GCL’s NAV of 50.22p per share on that day). This is generally considered to be beneficial to existing shareholders as it is NAV accretive and, all things being equal, such issuance should support liquidity and lower GCL’s ongoing charges by spreading its fixed costs over a larger asset base.

GCL has predominantly traded at a significant premium during the last three years.
GCL’s continues to trade at a premium to the remainder of the broader natural resources sector, which was trading at an average discount of 10.0% as at 19 October 2021 (excluding Global Resources Investment Trust and Tiger Royalties and Investments on size grounds). It is noteworthy that the broader natural resources sector has seen its average discount on a narrowing trend more recently as commodity markets have tightened. To summarise, demand for commodities has been recovering more quickly as restrictions have eased than supply has, which is in part a function of low capital investment in recent years due to low commodity market pricing.

In addition, there has been a broader recognition that the pandemic has laid bare the frailties of infrastructure in certain sectors and parts of the world and, against a backdrop of low interest rates, there have been strong calls to invest in infrastructure to help rebuild economies. This has also been accompanied by a growing recognition that considerable infrastructure investment will be required in areas such as renewable energy generation battery storage, if governments are to meet their climate change targets. As discussed on pages 6 to 11, there appears to be a growing recognition that as a carbon friendly provider of baseload power, nuclear looks set to be an important part of that energy mix, which is set against a uranium market that also looks increasingly tight.

**Premium/(discount) maintenance**

GCL does not have an explicit discount management policy, but it is authorised to repurchase up to 14.99% and allot up to 10% of its issued share capital, which gives the board a mechanism with which it can influence the premium/discount. However, whilst it has used its authorities to moderate the premium, as discussed above, GCL has not made any repurchases to date. Given its size, there is the potential that share repurchases could likely have a limited impact on the discount as they could...
also serve to reduce liquidity and put upward pressure on GCL’s ongoing charges ratio (i.e. reversing the benefits of growing GCL’s size, as discussed above). As such, GCL may be better served by increasing its size and focusing its efforts on increasing awareness of GCL among investors.

**Fund profile**

**Diversified global uranium exposure**

GCL aims to provide investors with attractive returns, primarily in the form of capital growth, by investing in a portfolio of securities of companies involved in the exploration, development and production of energy and related service companies in the energy sector. Its main focus is uranium, but in order to allow for some diversification beyond this highly concentrated sector, up to 30% of assets can be invested in other resource-related companies.

As discussed below, GCL does not have a formal benchmark and is not managed with the aim of providing outperformance relative to an index. Instead, the portfolio is managed with a more absolute return mindset, with the managers selecting the securities that they believe will provide the best risk-adjusted returns over the longer term. Although the managers consider uranium to benefit from long-term structural growth drivers, the portfolio is focused on securities that the manager has identified as being undervalued by the market. The expectation is that such securities will benefit from a re-rating over time, and therefore provide the scope for a capital appreciation beyond what the market expects.

GCL has a global remit, but its portfolio tends to be biased towards North American- and Australian-listed equities. The portfolio is predominantly invested in equities, but it is not restricted to these and can also invest in convertible securities, fixed-income securities and warrants.

**CQS Group and New City Investment Managers**

New City Investment Managers (NCIM) has been GCL’s investment manager since its launch in July 2006. On 1 October 2007 NCIM joined the CQS Group, a global diversified asset manager running multiple strategies with AUM of US$21.0bn as at 31 March 2021. Keith Watson and Rob Crayfoul are responsible for the day-to-day management of GCL’s portfolio.

**No formal benchmark index**

Reflecting both its specialist investment proposition and a relatively small universe, GCL does not have a formal benchmark. However, for the purpose of performance evaluation, the manager has traditionally made comparisons against the price of Cameco and the spot price of triuranium octoxide ($U_3O_8$ – the most stable uranium compound and consequently one of the more popular forms of the product).
Cameco is the largest listed uranium producer in the world and the second-largest uranium producer globally. It also provides the processing services needed to produce fuel for nuclear power plants. Cameco has a Canadian listing and its share price and the associated total return series are readily available, so this has been included in this report.

Comparisons against the spot price of $\text{U}_3\text{O}_8$ have not been included in this note. Whilst a potentially useful comparator, visibility of the $\text{U}_3\text{O}_8$ spot price reduced dramatically from June 2017 onwards, making it much harder for market practitioners to observe and, in our opinion, reducing its relevance. An additional concern regarding the validity of the $\text{U}_3\text{O}_8$ spot price, for the purposes of performance comparison, is that the majority of market practitioners cannot invest directly in this commodity.

Finally, the Global X Uranium ETF (URA) has also been used as a comparator in this note. This is a reasonably large (net assets of around US$262m) and liquid ETF that provides investors with access to a broad range of companies involved in uranium mining and the production of nuclear components (this includes companies involved in extraction, refining, exploration, or manufacturing of equipment for the uranium and nuclear industries). Its objective is to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Solactive Global Uranium & Nuclear Components Total Return Index.

Previous publications

Readers interested in further information about GCL, such as investment process, fees, capital structure, trust life and the board, may wish to read our annual overview note *Hot stuff*, published on 6 August 2020, as well as our previous update notes and our initiation note (details are provided in Figure 22 below). You can read the notes by clicking on them in Figure 22 or by visiting our website.

### Figure 22: QuotedData’s previously published notes on GCL

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<thead>
<tr>
<th>Title</th>
<th>Note type</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear exposure</td>
<td>Initiation</td>
<td>20 March 2019</td>
</tr>
<tr>
<td>Supply deficit unsustainable</td>
<td>Update</td>
<td>21 November 2019</td>
</tr>
<tr>
<td>Hot stuff</td>
<td>Annual overview</td>
<td>6 August 2020</td>
</tr>
</tbody>
</table>

Source: Marten & Co
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