WMA Natural Resources Strategy

WILLIAMS MARKET ANALYTICS

November 2024

Master Account
Net Asset Value: 147.83 (+0.49%)

November Monthly Strategy Update

For the month of November, our Natural Resources portfolio gained +0.49%, while the S&P North American Natural Resources Index (IGE), jumped up +5.48%. Our exposure to gold dragged down performance in November. Almost all sectors (excluding healthcare) soared on the Trump win. Oil stocks, as measured by the XLE, were up +7.8% in the month while the goldminers slid -6.64%. The Trump administration has promised tariffs against every other nation. How will commodity stocks react? On one hand, tariffs are a tax and all taxes are inflationary. Moreover, as oil and metals are highly traded products across countries, any impediments to trade will make the cost of these products higher globally. On the other hand, higher prices could stifle growth and cause a slowdown in economic activity (thus demand for natural resource products), which would then hurt commodity producers (with all other companies).

We remain positive on the natural resources space, especially given the long-term tailwinds of relatively cheap valuations, the automatic inflation hedge, and the necessity of these increasingly scarce resources for global economic growth. For over 5 years, we have applied our selection model to screen for individual companies displaying relatively attractive valuations, solid balance sheets, strong free cash flow margins, and high, sustainable dividends. While we have managed to reduce risk (annualized standard deviation), we have pretty much tracked the IGE benchmark, as shown below. Humbly, we share the following lessons. First, as academic studies have shown repeatedly, almost all portfolio returns are due to (1) asset allocation (ie: bonds vs stocks, etc) and (2) sector selection. Stock selection contributes almost nothing. The second lesson is that risk management is superior using a sector selection approach. Company-specific risk is eliminated, no need to track firm earnings announcements, and it's much easier to hedge a few index products as opposed to 30 individual stocks, whenever bear markets arise. Third and finally, low risk market timing can be sufficient to create long-term outperformance versus the indexes (selling occasional covered calls, raising a couple percent cash after big rallies, buying cheap put spreads). As such, we will **migrate** the Natural Resources portfolio to a **resource sector selection approach via ETFs**, leveraging our macroeconomic skills, and creating a lower risk, more manageable portfolio.

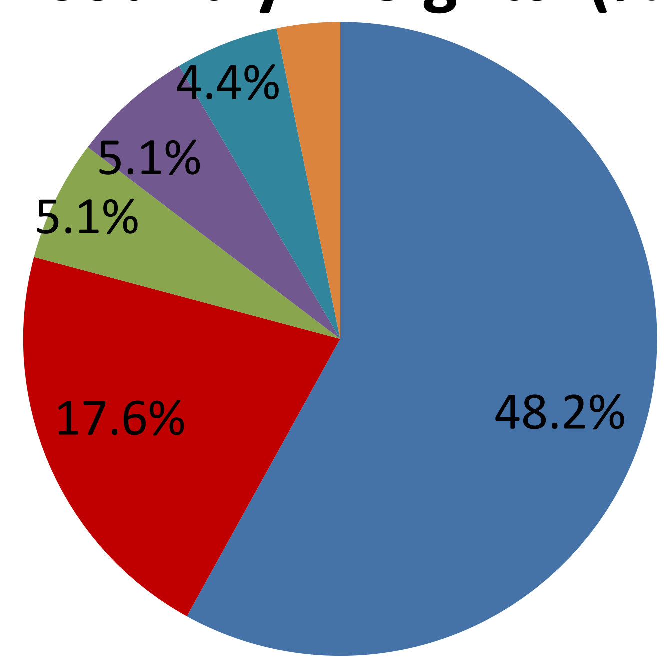
Portfolio Data

Number of Holdings	28
Currency	USD
Risk Level (β & σ)	Moderate
Dividend Yield	4.68%
Forward Price/Earning Ratio	9.7
52-Week High & Low	151.9 & 147.1

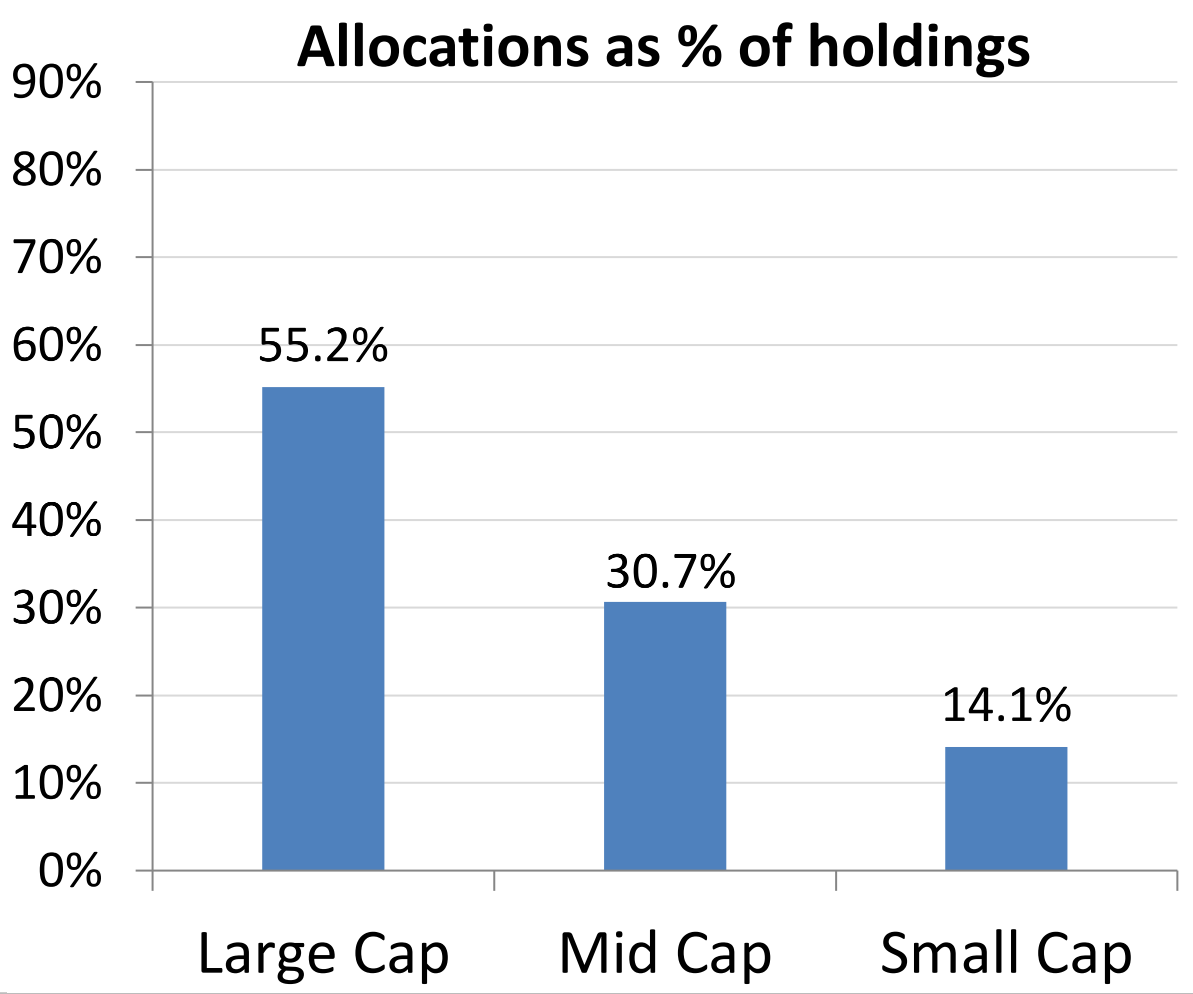
Country Weightings

U.S.	49.0
Canada	17.1
Australia	5.0
Brazil	4.5
S. Africa	4.0
Chile	3.3

Country Weights (%)



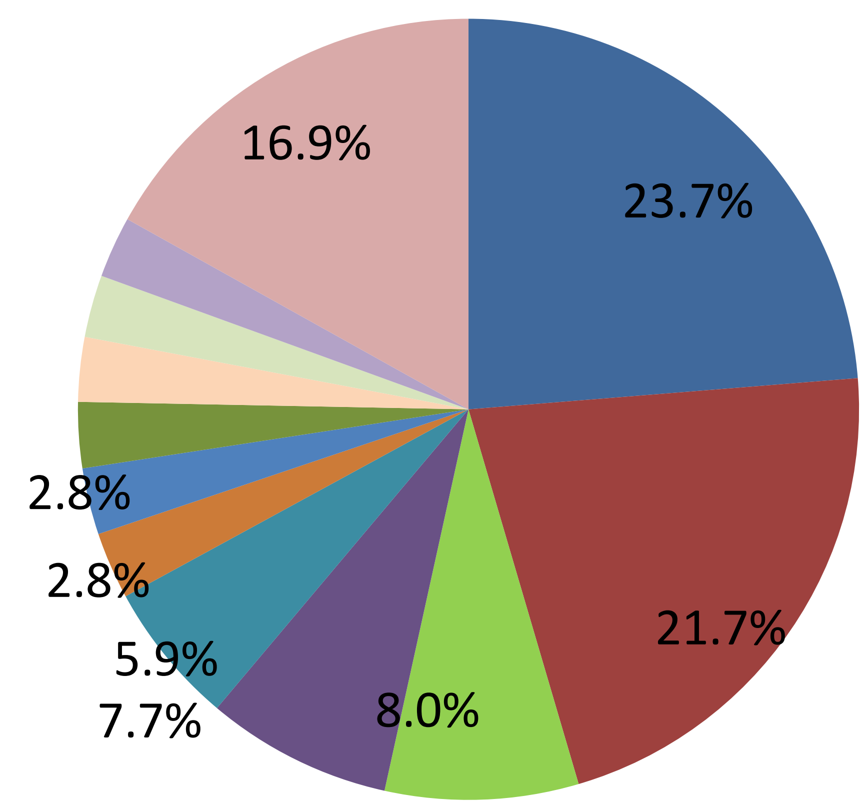
Market Capitalizations



Industry Weightings

Sector	%
Gold/Silver Mining	22.7
Oil & Gas Explor & Prod	22.6
Agricultural Products	7.8
Metals/Mining	7.4
Integrated Oil & Gas	6.3
Oil & Gas Eqp &Services	3.0
Oil & Gas Midstream	3.0
Coal	2.8
Chemicals	2.7
Oil & Gas Drilling	2.6
Oil & Gas Refining	2.1
Cash	17.0

Industry Weights (%)



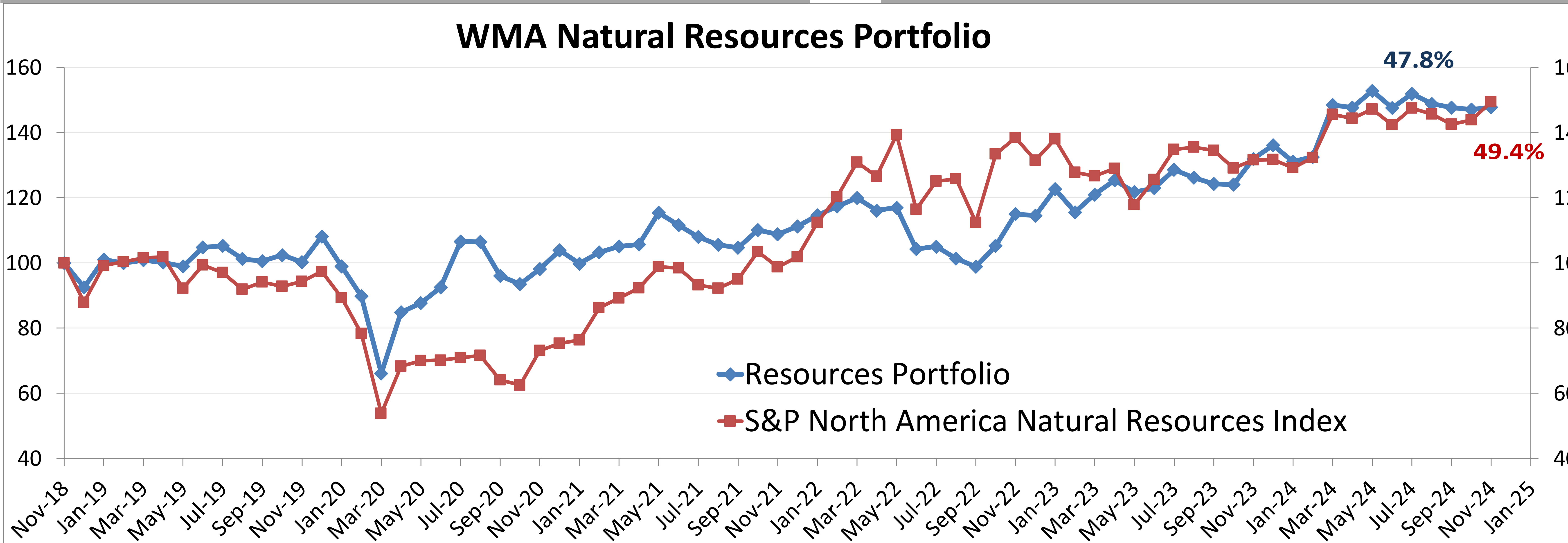
Historical Performance

Risk Characteristics

	Annualized Volatility	Beta	Sharpe Ratio
WMA Natural Resources	23.2%	0.66	1.00
S&P Natural Resources Index	28.5%	1.00	0.84

Price Return as of 12/01/2024

	YTD	1-Year	2-Year	Since Inception
WMA Natural Resources	8.60%	12.0%	47.8%	47.8%
S&P Natural Resources Index	13.43%	13.6%	49.4%	49.4%



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