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ASX Market Announcements
ASX Limited
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BY ELECTRONIC LODGEMENT

Tribeca Global Natural Resources Limited (ASX: TGF) – Chairman’s Address

There are five matters I would like to touch on in my remarks today:

- Investment performance, which will be more substantively by Ben and Todd in their report;
- The restructuring of the TGF Board, which was announced to the market on Tuesday 14 November;
- TGF’s decision to commence paying dividends during the financial year ended June 2023;
- Our capital raising program during the last year; and
- Current developments in the structuring of Listed Investment Companies.

Investment Performance

Over the 12 months to 30 June 2023, investment performance, measured by changes in post-tax NAV, was up by 1.76%, inclusive of the dilutionary effect on NAV of our capital raising and taking into account reinvestment of dividends. In the environment, this was a satisfactory result. Investment performance initially improved slightly during July 2023 before declining by 9.01% (post-tax) in the following 3 months to October 2023.

Both the Board nor the Investment Manager are well aware that this is not the trajectory we want to be on, and we will shortly hear from the Investment Manager regarding both performance and the outlook for our investment strategy.

Board Restructure

The retirements of Ben Cleary and Todd Warren from this Board were announced on 14 November 2023. It is important to note that this has been a planned decision and does suggest any reduction in the involvement of either Ben or Todd in the management of our investment portfolio. Nor is it a precursor to any change in the relationship between TGF and the Tribeca Investment Partners group.

The motivation for the change to Board structure has been solely driven by what we see as best practice in corporate governance. While both Ben and Todd have been extremely competent Directors on the Board and we have always maintained a majority of independent Directors on the TGF Board, we believe that the roles of the Board and the Investment Manager are best separated. Ben and Todd will be able to concentrate solely on managing our Company’s investment portfolio but will continue to attend Board meetings to present Directors with regular portfolio updates.

This change will also bring TGF into line with emerging practice among Listed Investment Companies.

Dividends

In TGF’s Prospectus of 2018, it was stated that *“The Board of the Company intends to pay dividends, franked to the maximum extent possible, from available profits ... as well as realised gains on the sale of investments ... to the extent permitted by law and ... within prudent business practice.”*

TGF declared a total of 17.5 cents per share of fully-franked dividends in respect of FY2023 – 10 cps of ordinary dividends and 7.5 cps as a special dividend - with the total dividend amount being sourced from current and retained earnings and capital gains. Total dividends paid to shareholders in respect of FY2023 amounted to \$13.7 million, and franking credits with a face value of \$5.9 million were attached to these dividends.

The Board could not be certain that an annual dividend of 17.5 cps would be sustainable and therefore chose to split the total amount declared into ordinary and special dividends.

Based on this Wednesday's close price of \$1.62, dividends paid to date reflect a cash yield of 10.80% p.a..

While I am not going to provide specific guidance, I can confirm that, using the language from our 2018 Prospectus, it remains the Board's intention *"... to pay dividends, franked to the maximum extent possible, from available profits ... as well as realised gains on the sale of investments ... to the extent permitted by law and ... within prudent business practice."*

Capital Raising

The Board was very pleased to have raised \$35.4 million in new capital in the first half of 2023 through a combination of an institutional placement and an entitlement issue to shareholders at \$2.10 per share. Our purpose in raising capital was twofold: to be able to invest further in what we saw as a constructive environment for the global natural resources sector and to provide greater liquidity for all shareholders.

It is of note that average daily trading liquidity in TGF has increased by approximately 22%, compared to the average of the 12-month period prior to the capital raising. Further while resource markets have generally deteriorated since the capital raising, we maintain a constructive view looking forward.

LIC developments

Investors in and Boards of Listed Investment Vehicles are both frustrated by the seemingly intractable and variable discount in traded prices compared to their Net Asset Value per share (NAV). The presence of any such discount provides investors with two sources of variability in their investment:

- Movement in the NAV; and
- The discount and any changes in the size of the discount.

Arguing that discounts are irrational might be right, but that will not make the discount contract. However, the options available to Boards of LICs to deal with discounts are limited and may not be effective over the longer-run. Ultimately Boards cannot control the share price but they do have an obligation to act in the interests of members. Bearing that in mind there are two categories of action that Boards can consider:

- Market-based actions; and
- Structural actions.

Market-based actions can include improving transparency through more frequent and relevant reporting and ensuring investors are fully informed about the investment strategy and have appropriate access to the Investment Manager. These actions can also include market intervention through buyback programs.

Structural actions, which have been seen more often in recent times, include use of the "quoted fund" concept, which is designed to mimic the NAV performance of an unlisted trust in a listed environment via an ETF structure. Very recently, we have seen some listed investment vehicles – especially LITs - de-list altogether.

At TGF, we ran a substantial buy-back program between February 2020 and March 2022 during which time we bought back 1.5 million shares at an average price of \$1.17 per share compared to an average NAV of \$2.29 during the same period.

This was a very successful program as it enabled TGF to invest in its own investment strategy at a substantial discount to the value of the underlying assets we acquired. However, there was no lasting impact on the size of the discount, and this has been the experience of other LICs that have run buyback programs.

We have also enhanced our reporting to the market, including by publishing weekly estimates of NAV in addition to the more formal monthly reporting.

The Board has also reviewed the structural options available to TGF to address the discount issue and we have concluded that the available options are either infeasible, available only at a potentially prohibitive cost to shareholders, or both. In summary:

- Because TGF's portfolio includes assets that do not offer daily liquidity, the "quoted fund" option is not available to us;
- Delisting TGF would simply transform it into an unlisted company with no ready market to enable TGF's shareholders to access liquidity; and
- Converting TGF into an unlisted unit trust would generate transactions costs and potentially have tax consequences which we have not attempted to assess.

In addition to these considerations, there are benefits to shareholders of TGF remaining a LIC, including:

- Access to daily liquidity via TGF's ASX listing; and
- The closed-end nature of a LIC, which enables the Investment Manager to continue to pursue the long-term investment strategy that TGF was established to do and which the Board believes to be in the best interests of shareholders.

In short, we do not believe there is any "quick fix" to the issue of the current discount to NAV. Shareholders will be aware that, over our 5-year life to date, TGF has experienced periods where the discount was substantially lower than it currently is and, for brief periods, the price has exhibited a small premium.

The obvious and sustainable basis for reducing the discount is for TGF to generate strong investment performance. We continue to believe that, based on sound fundamental analysis, the outlook for many parts of the global natural resources sector remains constructive. Our strategy is a long-term one and it is necessary to stay the course in order to reap the benefits for shareholders over time.

Authorised for release by the Board of Tribeca Global Natural Resources Limited.