

Dryblower and Evy Hambro's awakening to an electric future

SPOTTING the tipping point in a stock-market situation is never easy, as Dryblower has discovered, but a week ago there was an event which might one day be recognised as the point when battery metals entered the mainstream investment world – and took off!

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What happened was a declaration by a leading investor in mining stocks that he was building his exposure to battery metals, with an inference that he was likely to become more involved because the business really was starting to look like oil of 150 years ago.

The man was Evy Hambro, boss of the BlackRock World Mining Trust, a fund with a value of around \$1.5 billion and a place on the share registers of most of the world's top mining companies with big holdings in BHP, Rio Tinto, Glencore, Newmont and South32.

If there is a Rolls Royce of the mining-investment world the BlackRock World Mining Trust is it.

What Hambro did was declare his love for battery metals and that the trust had quietly become the biggest shareholder in Australia's Galaxy Resources, and was a big investor in Pilbara Minerals as well as international battery-metal stocks such US-based Albemarle.

And why? Because Hambro's well-tuned sense of how to make a profit from mining is telling him that battery metals are the "new oil".

Or, as he put it in comments picked up by London's FinancialTimes newspaper: "Today the energy space is evolving towards a low carbon footprint and the combustion engine is going to be replaced by alternatives. We want to be invested in companies that will be producing the raw materials that will be needed to meet this growth."

To Dryblower's fertile imagination what Hambro said could have been said sometime around 1865 when John D. Rockefeller was designing his Standard Oil business in Ohio which was to launch great oil names such as Exxon, Chevron, and Mobil – displacing coal, whale oil and other lubricants from the market for power, heat and lighting.

Rockefeller's fortune from oil dwarfed anything of the modern era and was, at its height, the equivalent of US\$400 billion in today's money. It was built largely on the automobile revolution which created a great thirst for oil.

Roll forward in time and what Hambro sees is the end of the petrol-powered auto world, a view which is undoubtedly being influenced by where he sits in London's Throgmorton Street, just up the road from the Bank of England.

On a still summer's day, the narrow streets around Hambro's office stink of diesel and petrol fumes generated by near-standstill traffic trapped in London's perpetual jam.

It is his location, at the epicenter of the world's great car crush, which is influencing his thinking and while many investors in less-polluted countries such as Australia are yet to get the message as clearly as Hambro the point is that the combustion engine is reaching its use-by date.

Is Hambro moving too quickly to load up on lithium, graphite, cobalt and nickel stocks? Perhaps, but if the comparison with oil of 150 years ago is correct then we might really have reached a tipping point, a time when battery metals become a better investment than traditional base, precious metals, and oil.

Last week's action on commodity and equity markets was a reminder that the mining investment game is changing with both gold and base metals down quite sharply after a few good weeks.

What hit the base metals sector was concern about Chinese economic growth and the traditional winter slowdown as factories shut their doors in the north of the country when freezing temperatures slow everything and pollution is at its worst.

Gold, somewhat surprisingly was more heavily influenced by the start of a US interest-rate rising cycle than the threat of a North Korean hydrogen bomb test over the Pacific, and its potential to start a nuclear war on the Korean Peninsula.

So, with base metals correcting after a few good weeks, and gold in retreat as interest rates rise, the mining world was left with battery metals as the driver.

What Hambro senses, apart from the whiff of diesel fumes if he opens his window, is a sea-change, or as Dryblower likes to call it in honour of Malcolm Gladwell, the man who coined the expression, "tipping point" – a time of dramatic change.

And even if we're not at the precise moment when history takes a different direction it would be an awfully brave investor to ignore the signs that the era of oil is fading and battery metals are accelerating.

There will be, as always with a fundamental change in the way the world works, hiccups along the way, but Hambro's nose should not be ignored because he's at the centre of an oil-polluted world and is keen to put money into a battery-powered future.