

Goldfinger The Man with the Midas Touch

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By Robert Kennedy for Mining Journal

It is not many global investment managers who are known as Jin Zhitou by their colleagues, but it is an epithet used to address Shanquan Li, who has been the portfolio manager of the Oppenheimer Gold and Special Minerals Fund for 23 years.

For the non-Cantonese speaking, the term means Goldfinger. It is a reference to the Ian Fleming-inspired character, Auric Goldfinger, who conspired to infiltrate the impenetrable confines of Fort Knox with the help of Pussy Galore before being thwarted by James Bond in an Aston Martin.

Ironically, the major store of the world's global gold deposits is not in a fort in Kentucky, but is located within the Federal Reserve Bank of New York which is overlooked from Shanquan's office in the World Financial Centre in lower Manhattan. Shanquan's nickname was coined by Oppenheimer Funds chief investment officer, George Evans, who more recently has lengthened the moniker to Jin Zhitou Wu Xing to reflect Shanquan's status as a top ranked investor by the major international investor ratings agencies. (It translates to Goldfinger Five Star).

The Oppenheimer brand begins 2019 in an even more glaring spotlight than before following its recent merger with the Invesco Group of Atlanta, Georgia. The combined operation handles a global investment behemoth with US\$1.2 trillion of

assets under management.

Shanquan, the sole nominated portfolio manager of the Gold and Special Minerals Fund, is in a positive mood going into the New Year.

Although the past five years in mining markets have represented a difficult period for mining investors, Shanquan believes 2019 should show that there is still a pot of gold to be found at the end of the rainbow.

"More recently, I believe that the major producers have over concentrated on repairing their balance sheets, mainly through asset sales, and were distracted from pursuing opportunities on the investment side," he told *Mining Journal*.

"They have also neglected exploration spending. This has resulted in depleted resources and shrinking of reserve life. It is a situation that could reverse quickly."

Shanquan considers that dire predictions from pessimistic market elements that the gold price could fall below \$1,000 an ounce "do not appear tenable."

Oppenheimer's mining portfolio contains many names with listings in the more traditional mining jurisdictions, notably North America and Australia (about 70% of the stocks in the portfolio).

However, Shanquan points out that the home domicile of many of his holdings bears little resemblance to how he has allocated his geographic and asset exposure.

"I may be invested in companies listed in say, Canada, that I have chosen specifically for their exposure in markets ranging from Latin America to Africa."

A graduate of the People's University of Beijing, he believes that the trend towards global mining investment models has been inevitable, citing the examples of Chinese, Japanese and Korean forays into various African constituencies as an example of which to take note.

Apart from geographical flexibility, Shanquan is equally conscious about asset mix. "My exposure continues to be focussed on gold and silver while always being watchful of demand and developments in the new materials space.

"The mining industry is notorious for being slow to adapt technologically and innovatively to new demand trends and it is from here that you can identify tremendous potential as an investor.

"It may be in changes of the need for metals such as lithium, zinc or lead but when there is a shortage of required materials it can provide rare value that will deliver an advantage.

"It is important to anticipate the impact of new technology and try to identify the next

growth area as we have seen most recently in areas like the development of the electric automotive industry and the resultant need for new battery technology."

But it is perhaps at the micro level that Shanquan places the most importance. He puts a premium on meeting companies in person and travels extensively to put this principle into practice.

"I like to meet companies selectively after careful research. I like to meet them at an early stage. I may not buy into them immediately, but will put them on my watch list and follow them over time."

He considers site visits to be among his most important tasks.

"I like to get a feel for a deposit, to assess its potential, its quality and to estimate a time horizon for its development. A good deposit will not always transition to a significant mine.

"There are local eco-political factors to take into consideration and I also like to account for such basic issues as electricity and water supply and even the proximity to surrounding assets."

In the meantime, Shanquan is preparing for his next trip in February in his quest for value. Destination: Ecuador and Mexico.