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Jeremy Bond's Terra Capital bets on old and new energy sources



Jeremy Bond of Terra Capital is bullish on the prospects for cobalt and uranium. Paul Jeffers



by [James Frost](#)

Terra Capital's Jeremy Bond is so confident that cobalt and uranium will be important contributors to the world's future energy mix, he's ploughing more of his personal wealth into his firm's natural resource fund.

The founder and chief investment officer put his money where his mouth is in an update to clients in early February, where he revealed conditions were so attractive that he was adding to his already substantial fund holdings.

"I'm already the biggest investor in the fund but I'm very bullish on the natural resources market so I put more money in," Mr Bond said.

It's an unusual move for a chief investment officer, one that screams concentration risk, but Mr Bond said it's a calculated risk and therefore one he is comfortable in taking.

The volatile conditions for resources have made selling the fund to investors a difficult proposition, but the Perth born grandson of the late Alan Bond says resources are in the blood. Performance shows this is no idle boast.

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Established in 2010, the Terra Capital is a global stock picker with \$80 million under management across two strategies which includes the natural resources fund and the more recently launched New Horizons fund.

Since inception the flagship resources fund has produced an annualised return of 21 per cent to January 31.

That compares with a gain of 9 per cent for the All Ordinaries (before dividends and franking) and losses of 2.2 per cent and 11.3 per cent for the ASX 300 Mining Index and the ASX Small resources index.

The swings in performance recorded by the fund can be pretty wild. Over 12 months the fund is up 50.2 per cent. Over the financial year to date it's down 9.9 per cent. This is not a fund for widows and orphans.

Part of the reason for the wild divergence is that Terra Capital likes to play at the smaller end of the market. It doesn't hold BHP Billiton or Rio Tinto and it typically has avoided exposure to bulk commodities.

"It's at the higher risk end of the spectrum but we manage that risk as best we can. Funds like ours are just going to be part of someone's overall portfolio" Mr Bond said.

The fund has a global mandate but it prefers to invest in Australia unless it can find a compelling reason to go offshore. Which is exactly what it has done when it came to identifying a quality cobalt play.

"It's quite hot now but we started investing in cobalt 12 months ago," Mr Bond said. "There wasn't an Australian company that fit the parameters we were seeking, so we invested in a Canadian listed play called eCobalt Solutions."

[The thematic for cobalt](#) is similar to that of lithium in that it's a key component in the type of car batteries that you find in electric vehicles manufactured by everyone from Tesla to Daimler-Benz.

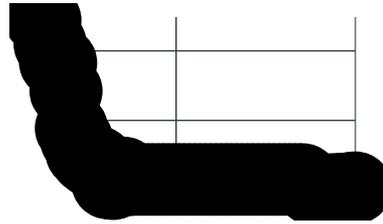
Except that the batteries use much, much more cobalt than they do lithium.

The price of cobalt has soared since Terra entered the position, with the eCobalt Solutions share price rising from C40¢ (39¢) to a high of \$C1.50.

Terra has since invested in the ASX-listed Equator Resources and private company Battery Mineral Resources which is expected to go public soon.

While the horse has most likely bolted on cobalt, Mr Bond also believes uranium is poised for an upswing.

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"The uranium price has been smashed since Fukushima. [It has been the worse performing commodity over just about any time frame you can think of.](#) But should things turn around the price will respond pretty quickly."

He points to the world's largest listed uranium producer Cameco which has shelved a handful of exploration and development programs and a decision from Kazakhstan, which is the world's largest source of uranium, to cut production by 10 per cent as supply side factors.

On the demand side, he is eyeing a number of reactors being built in China over the next five years and the unresolved question over what the Japanese will do with their nuclear power program.

"When the prices turn, they turn very quickly. If you look at coking coal as an example the price went from \$80 a tonne to over \$300 in the space of two or three months. So unless you were already holding, you didn't make any money."

Terra has a number of positions in uranium including ASX-listed Boss Resources and Canadian firm Nexgen which Hong Kong billionaire Li Ka-shing owns a \$100 million stake in.

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