

The Power of the Royalty Business Model



Gold vs. Gold Miners vs. Franco Nevada

Franco Nevada, a precious metals royalty company, rose by over 70% during a 7-year period when gold decline by almost 50% and gold miners did not appreciate at all.



Source: Morningstar Direct. FNV: Franco Nevada, GLD: SPDR Gold Trust, GDX: VanEck Vectors Gold Miners ETF

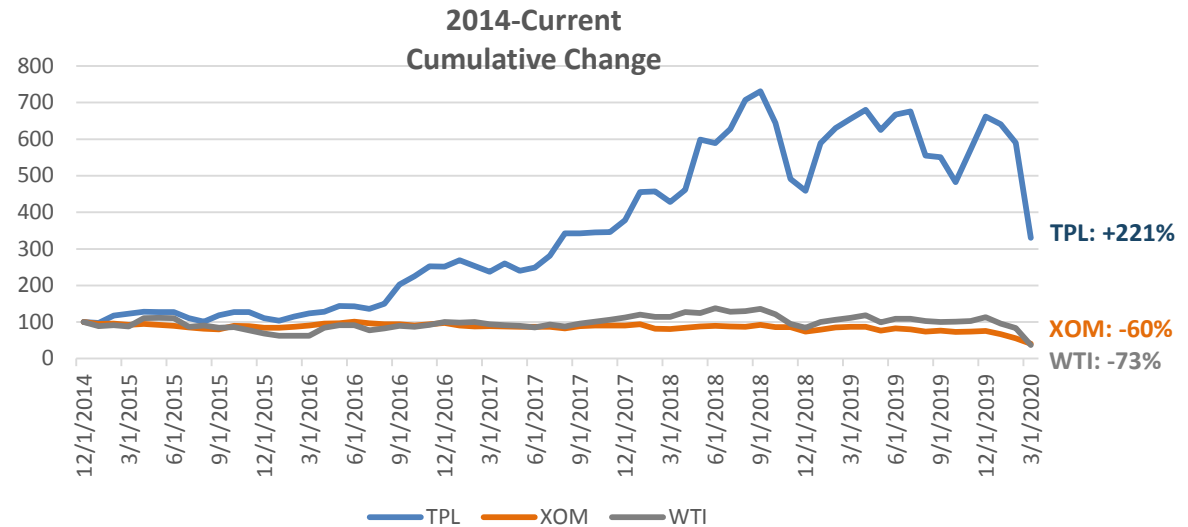
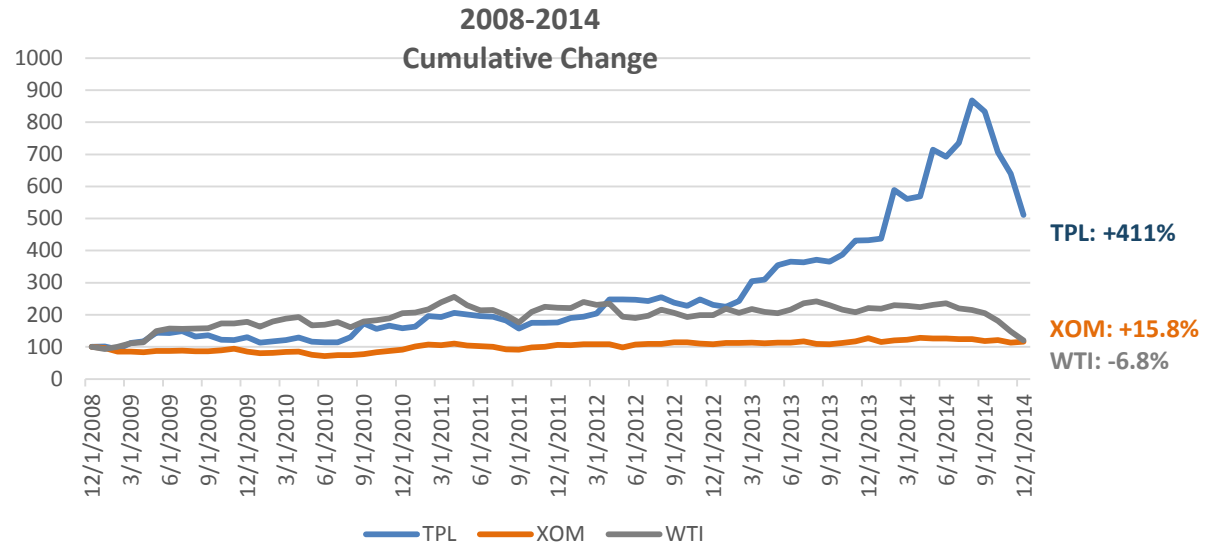
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Oil vs. Oil Producers vs. TPL

- At 12/31/08, WTI oil was \$100.08/bl and 6 years later, at 12/31/14, it was 6.8% lower. (\$93.28).
- ExxonMobil was up 15.8% during those 6 years.
- TPL shares went from \$23.10/share to \$118, 411% higher.
- And for the 5 years after that, from 2014 to today, oil is \$25, which is 73% lower, Exxon is 60% lower, and TPL is \$379, up 221%.

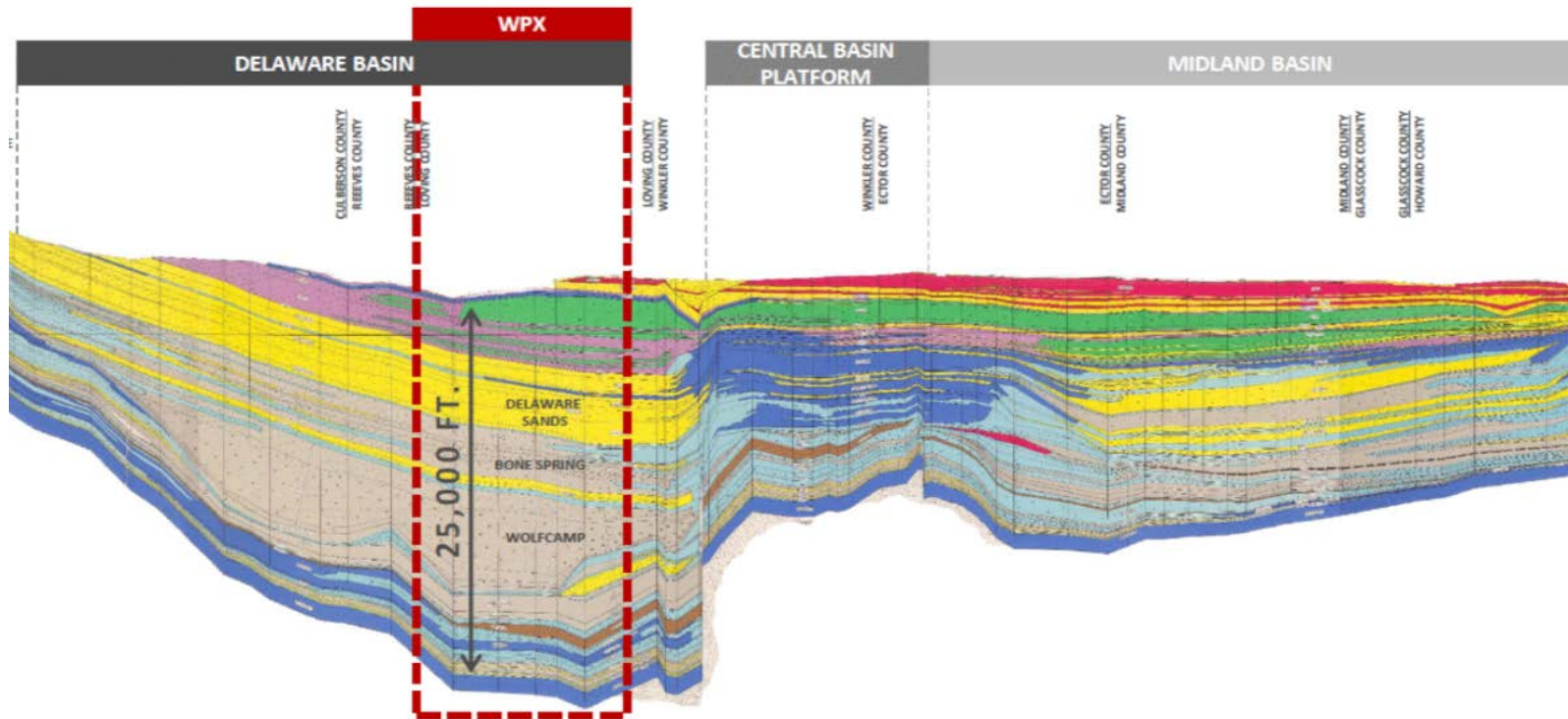
Those are two separate periods, totaling 11 years, over which oil first declined modestly, then declined drastically, yet TPL was way, way up.



The Permian Basin

What does it mean when people say “The Permian Basin”?

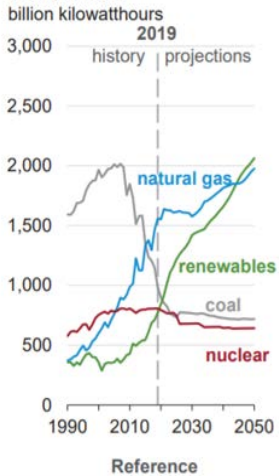
The Midland Basin part of the Permian Basin. The Delaware Basin is also part the Permian Basin.
The Delaware and the Permian are NOT the same.



Global Oil Supply/Demand Balance

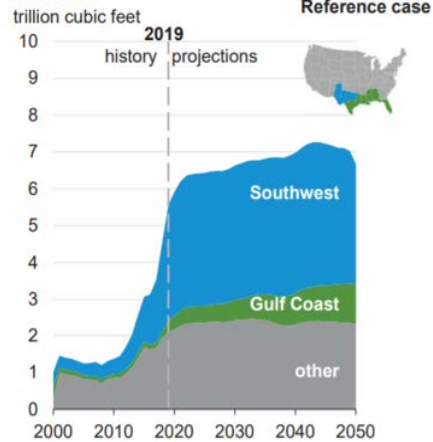
US Energy Information Administration

Electricity generation from selected fuels



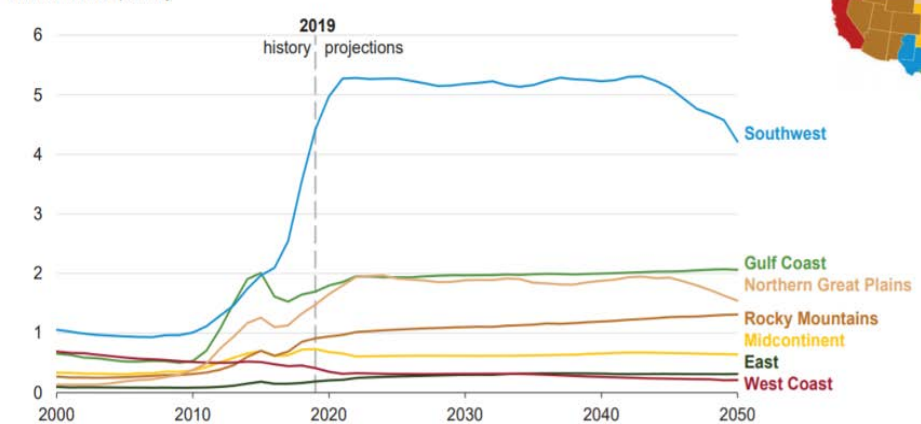
U.S. Energy Information Administration

AEO2020 dry natural gas production from oil formations



U.S. Energy Information Administration

Onshore crude oil production in the Lower 48 states (AEO2020 Reference case)



U.S. Energy Information Administration

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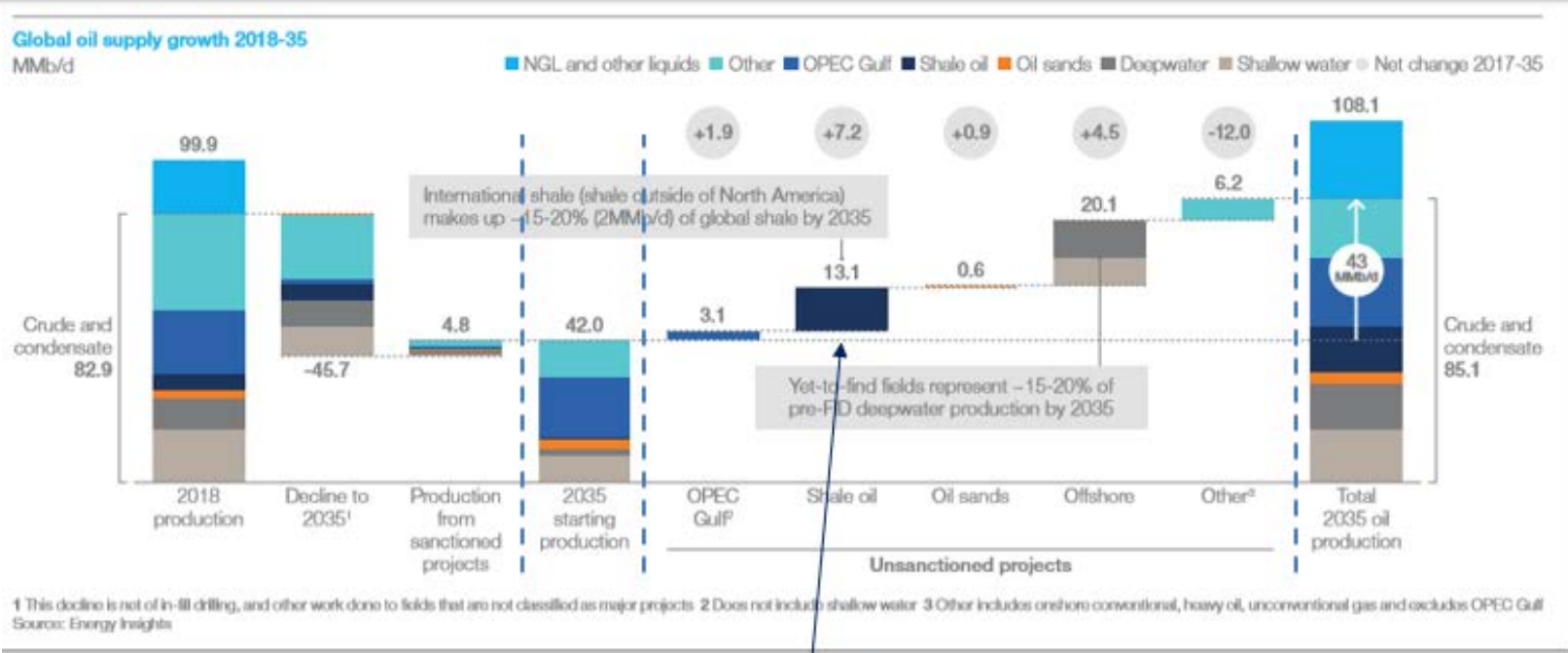
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Global Oil Supply/Demand Balance

McKinsey Study

Assertions: *The world will use less fossil fuel over the next one to two decades.*

Data: McKinsey, in a study of oil supply over the next 30 years, presumes that U.S. shale will be a primary factor in maintaining the global supply/demand balance with respect to reserve declines from other sources.



Global Supply/Demand Balance
Contingent on **U.S. Shale**

In the Oil futures market, the June oil futures cost about 19% more than the \$20/barrel May futures, which is for only 1 month.

The November futures cost \$32.61/barrel, which is 60% more to buy oil six months later.

Which means someone is willing to pay more than 100% annualized expense to buy oil one month from now.

Crude Oil Futures

Month	Closing Price	% Differential
May-20	20.33	
Jun-20	24.27	19.4%
Jul-20	27.39	12.9%
Aug-20	29.46	7.6%
Sep-20	30.78	4.5%
Oct-20	31.84	3.4%
Nov-20	32.61	2.4%
Dec-20	33.29	2.1%

Source: CME. As of March 31, 2020.

Important Risk Disclosures & Definitions



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