POWERING A.I. & STORE OF VALUE

DISCOUNT ENTRY NOTE

FOR INVESTORS CAUTIOUS ABOUT ENTERING AT TODAY'S PRICES, A DISCOUNT ENTRY NOTE CAN PROVIDE EXPOSURE TO AN ASSET AT A SIGNIFICANT DISCOUNT TO CURRENT PRICES.

July 2024

POWERED BY:

stropro

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Powering A.I. & Store of Value
Discount Entry Note

While 2024 has been a very positive year so far, there are many risks and opportunities bubbling below the surface while the headlines are dominated by AI and the Magnificent 7.

The AI rally (or bubble, whatever your opinion) has dominated fund flows, and given a sense of optimism, despite the rest of the market underperforming. But, as markets involve human beings and their emotional sentiment, its inevitable the novelty wears off the initial AI winners and eyes turn to "what's next?"

So what themes will they be looking at? And given the volatility during these transitions, what will be the best way to play them?

The 2 clear themes that stick out to us, are the infrastructure build for AI and the looming fiscal train wreck of the US budget. AI is definitely the standout thematic opportunity of the next 10 years, but the next two years will not play out in the way we have seen in the first phase over the last 18 months. Phase two of this game changing technology will be all about AI infrastructure and powering the new hardware.

The other theme? Well, this one has a foot in the risk camp, the store of value trade. While geopolitical uncertainty and a spiralling US debt might seem like a massive flag for investors, we see opportunity in the return to the safety of real assets like gold, silver and commodities.

"The 2 clear themes that stick out to us, are the infrastructure build for AI and the looming fiscal train wreck of the US budget"

Powering A.I.

The rise of AI in the past 18 months has been incredible. In that time, the US market has conservatively added $3T in market cap due to AI and the likes of Nvidia are up a whopping 400%. The consequence of this extreme spending on GPU's has led to a similar rise in data center demand, with Nvidia's GPU data center sales up 409% in the last 12 months. There is no doubting the AI phenomenon, but now we have to power it

Phase two of this game changing technology will be all about AI infrastructure and powering the new hardware. Data center infrastructure and center managers are the obvious winners, but the capacity has to be built. This makes the data center managers too risky with uncertainty around delivery risk on the projects. That leaves us with what materials and requirements are needed to build and power them.

Wiring and dependable electricity a must for data centers. For wiring and cabling, they are going to need copper and for dependable and expandable power, nuclear is the smart choice

1

AI and Nuclear Power: A Symbiotic Relationship

Nuclear power plants meet this demand, offering sustainable, reliable energy that aligns with global clean energy goals

2

Data Centres' Expanding Copper Needs

AI technologies drive demand for copper to construct and operate AI data centres. Copper's superior electrical and thermal conductivity makes it essential for the robust infrastructure needed to handle extensive power and cooling demands.

AI and Nuclear Power: A Symbiotic Relationship

As AI capabilities expand, stable power sources for data centres become crucial. Nuclear power plants meet this demand, offering sustainable, reliable energy that aligns with global clean energy goals. They also provide ample cooling for servers.

A key example is Amazon Web Services' acquisition of a 960-megawatt nuclear-powered data centre in Pennsylvania from Talen Energy, powered by the adjacent Susquehanna nuclear plant. This facility underscores the reliability of nuclear power, crucial for data centres needing uninterrupted operation. The deal aligns with Amazon's goal to reach net-zero carbon by 2040 and fully power operations with renewable energy by 2025.

Nuclear power is central to decarbonization efforts. The U.S. aims to enhance nuclear capacity by 2050 to achieve climate targets, emphasizing nuclear as a consistent, carbon-free energy source. Despite challenges like high costs and project delays, new technologies like small modular reactors (SMRs) promise to make nuclear power safer and more economically viable.

As AI evolves, the need for sustainable, reliable energy grows. Nuclear power offers large-scale energy production with minimal carbon emissions, making it an ideal solution for increasing computing capabilities.

Our pick here is the worlds 2nd biggest uranium producer, Cameco (NYSE:CCJ)

Cameco’s stock price is currently being weighed down by past deals where the company committed a large chunk of production to utilities at $55lb, meaning its missing out on the extra $30lb margin it could have been enjoying. However many of those contracts will roll off over the coming 2 years, and if they are smart, they will only fulfil what is contracted and stockpile the rest

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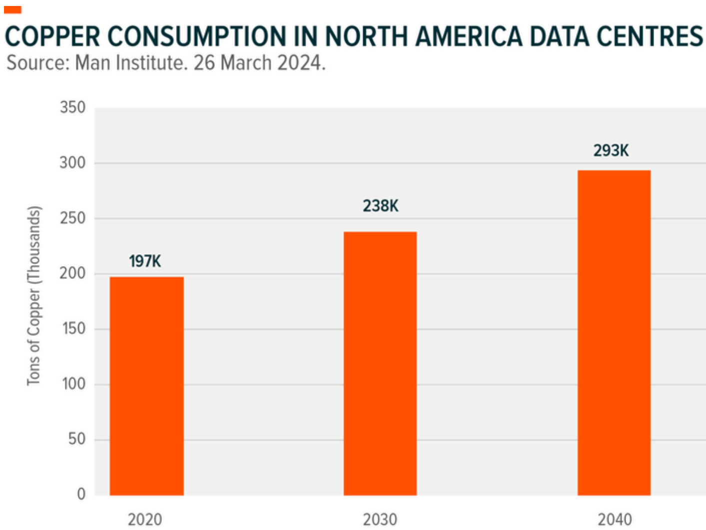
Data Centres' Expanding Copper Needs

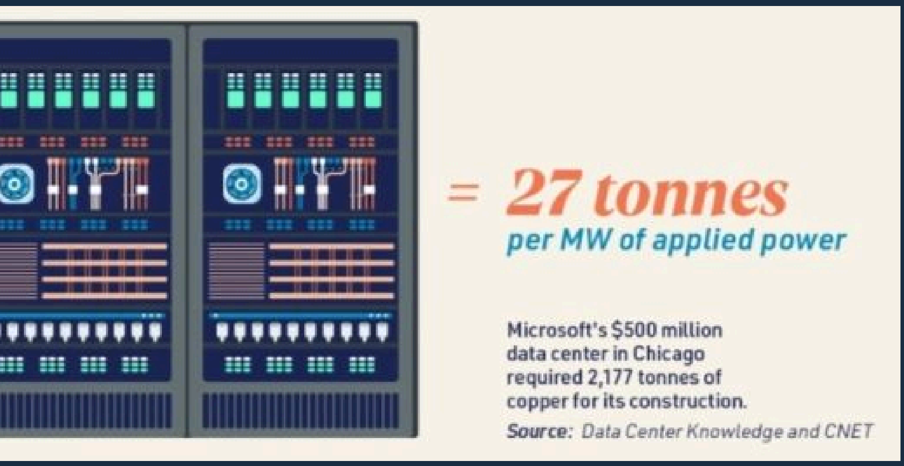
AI technologies drive demand for copper to construct and operate AI data centers. Copper's superior electrical and thermal conductivity makes it essential for the robust infrastructure needed to handle extensive power and cooling demands.

Projections show that copper demand from data center growth could reach about 1.1 million metric tons annually by 2030, representing roughly 2.8% of global demand. According to Bloomberg, copper is already projected to be in deficit by one million tonnes in 2024, not including AI data center demand. This creates a new demand shock for copper markets already in deficit.

Major AI players like Amazon, Nvidia, Microsoft, Alphabet, Meta, Apple, and Tesla have significant influence and cash reserves, with free cash flow growing to $309B as of February 2024. The need for copper to expand AI businesses is recognized by investors like Bill Gates and Jeff Bezos, who back KoBold Metals, a company using AI to find new copper deposits.



The problem is that the AI infrastructure demand has emerged FAST, and we were already facing a supply gap due to the energy transition in copper. Add to this that many of the worlds largest copper mines are reaching the end of their deposits and it takes about 12-15 years to open a new copper mine, that supply gap is going to end in one thing, higher copper prices, especially when the most cashed up companies in the world need it!



Our favoured play here is the "big Australian" BHP. Apart from currently being the worlds second biggest producer, it also has overlap in the uranium sector, sitting on Olympic dam, the world largest discovered uranium deposit, which they can turn on very quickly.

Return to Real Assets

The fiscal and monetary policies of the past decade have heavily influenced equity markets, characterised by significant money printing activities by central banks, especially in the post GFC years. Commodities have been left behind in terms of inflation adjusted returns compared to equites and we expect this to readjust back to the historical average as investors come to the realisation that the printing presses cant be left on forever

1

Consequences of the Spiraling US Debt

The US Dollar currently holds the status of the world's reserve currency. However, as debt levels continue to climb, investors will be wary of a currency devaluation, triggering a shift towards real assets.

2

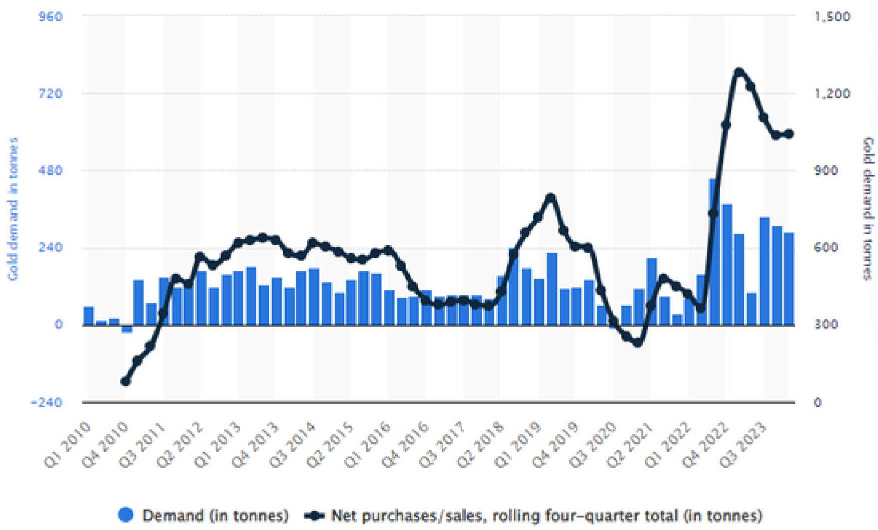
Geopolitical tensions

The recent swing to the right in global politics is indicative of increasing nationalism, which could lead to a reduction in free trade.

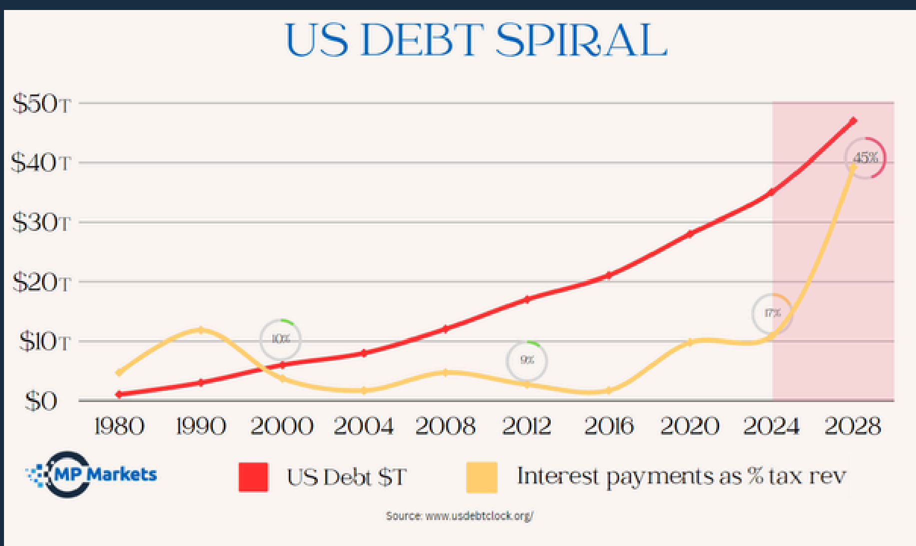
Consequences of the Spiraling US Debt

The US government debt has skyrocketed to a staggering $34 trillion, growing by $1 trillion every 100 days with similar trends observed globally. This unsustainable path has increased reliance on the U.S. dollar, which holds the status of the world's reserve currency. However, as debt levels continue to climb, there will be significant risk of the US credit being downgraded, triggering a shift towards real assets. Investors, wary of currency devaluation, are increasingly turning to traditional stores of value like gold and silver

Here the safest candidate is the yellow metal that has been accepted as a form of money for thousands of years. Gold had a strong rally in the first half of 2024 where it rallied from $2000 to $2400 and then has spent the last few months consolidating that move above $2300.



Despite a stronger US dollar, gold remains solid. Central banks have continued their record appetite for gold and set a new Q1 record for gold purchases. This continues on the back of record buying in 2022 and 2023 where they bought more than 1000 tonnes each year. Having a buyer with such deep pockets behind a thematic means that there is a decent probability that prices should continue to rise.



"By 2028, interest will consume 45% of the US Governments tax receipts"

Geopolitical Tensions

With multiple situations bubbling below the surface globally, the attraction of real assets is compelling. Iran/Israel, Iran/US, Russia/Ukraine, China/Taiwan, the potential of cyber attacks, the divide in US politics.... sadly the list is long in 2024

While "flare ups" in tensions are usually short-lived in equity markets, the concerns we have are from a long term perspective with many countries showing signs of nationalism after a test run of de-globalization during COVID

This sentiment (or mood) of the populous is clear with the recent swing to the right in global politics, which could lead to a reduction in free trade or trade wars. The EU has already imposed tariffs on Chinese EV's while Presidential hopeful, Donald Trump has threatened 60% import tariffs on the same vehicles.

The divide between the NATO and non-NATO nations is growing, and is most prevalent with the formation of BRICS, a coalition of Brazil, Russia, India, China, and South Africa as an alternative to the U.S. Dollar.

While the influence of a BRICS coalition and the establishment of a new reserve currency, backed by gold could be significant, leading to a decline in demand for the U.S. Dollar. Although some argue the group is just 42 per cent of the world's population and economically, it may not be influential, but the fact it has been established isnt a great sign

The gold miners present the best value as shown in the chart.

Newmont is our pick in the gold space, as given its geographical diversity, a mix of copper production around 30% to overlap the "powering AI" thematic and the fact that it is the only gold stock in the S&P500 which will make it the go-to stock for US investors.

"Gold Miners are lagging the gold price in terms of valuations"

How to Play it?

To the important part, how to play these themes. In my long career in markets, (more than half as a professional trader) picking the theme has never been the issue, however timing the move remains one of the hardest things to do in investing.

So in order to avoid the frustration and risk involved with playing these themes we have formulated a 3 year structured investment (Discount Entry Note) that provides exposure to these stocks at a significant discount to current prices.

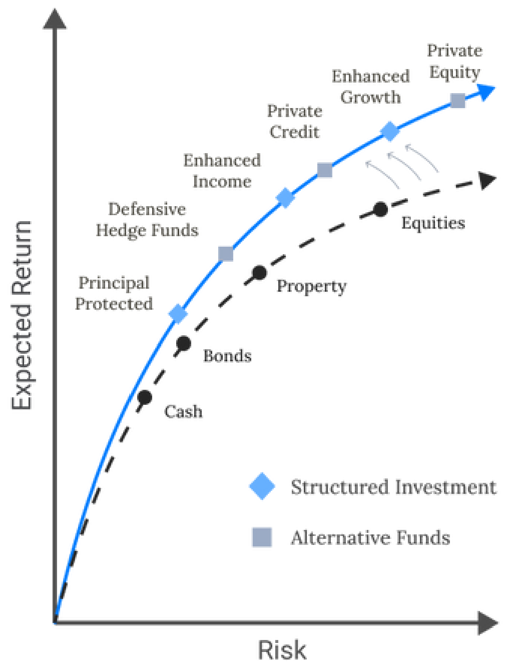
What are Structured Investments?

Structured investments represent a fusion of financial derivatives and traditional assets. These investments are issued by most major banks, including Goldman Sachs, Morgan Stanley, BNP Paribas and Citi, amongst others.

Clients utilise structured investments to meet specific investment objectives, whether it be capital protection, enhancing income or capitalise on a growth view. The strategies can be linked to the performance of various underlying assets, including equities, commodities, bonds, funds and ETFs - and can be designed in any major currency.

The ability to tailor a structured investment around an investor's objective and asset class, can achieve better risk adjusted returns.

How *Structured Investments* fit in a portfolio [1]



Key Benefits of Structured Investments: [2]

01

Ability to generate greater certainty of returns and navigate volatile market cycles.

02

Ability to highly curate a product around an investor's objective, asset class, currency and time horizon.

03

Potential for better risk-adjusted returns than a direct investment into an asset class.

Insights on the global structured investment market

stropro

>$7Tn [3]

Structured notes are estimated to be more than USD$7 trillion dollars globally.

+68% [4]

Year on year growth in the U.S. in 2023, reaching an estimated $130 billion.

>33% [4]

CAIS-Mercer (2023) survey, reveal one-third of advisers currently allocate to Structured notes

1. *Stropro. For illustrative purposes only. This illustration does not take into consideration a client's specific investment objectives, risk tolerance, or financial situation.*
2. *Structured Investments have complex features and may not be suitable for all investors. Investments made available on the Stropro platform are only available to wholesale, sophisticated or professional investors and their financial advisers.*
3. *Bloomberg, 2019 https://www.bloomberg.com/professional/insights/markets/sure-time-to-grasp-the-potential-of-structured-products/*
4. *Mercer & CAIS (2023). The State of Alternative Investments in Wealth Management.*

Structured Investment: Discount Entry Note

Powering A.I. & Store of Value

Rationale:

For investors cautious about entering at today's prices, a discount entry note can provide a smart buffer with greater upside potential. Whilst giving up an income return, it can provide exposure to an asset at a significant discount to current prices.

Strategy Overview:

Discounted Entry Note - Powering A.I. & Store of Value

Basket	Reference Assets	Discount-Entry Level	Term
A.I Enablers and Store of Value	BHP Group (BHP) Cameco (CCJ) Newmont Corporation (NEM)	74% (-26% from today's price)	36 Months

- This 3-year growth strategy provides investors with a 26% discounted entry price into a basket of stocks powering AI and securing value through essential commodities.
- For every $7,400 invested, investors have $10,000 worth of exposure to the worst performing asset in the basket. Effectively buying the worst performer at 74% of its initial price.
- If the worst performer is up 20% at maturity, investors would receive a +62.12% return on their initial investment. [1]
- If the worst performer is below its initial price at maturity investors would receive shares in the worst performer at a cost base of 74% of its initial price, therefore softening downside losses. [1]

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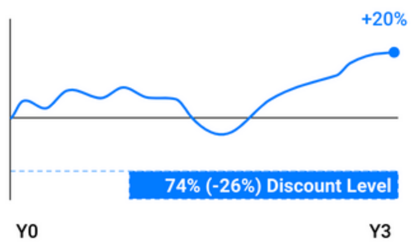
Scenarios: Example of a $74,000 Investment

Scenario 1: Bullish

The worst performing reference asset is up 20.00% at maturity.

+62.12% ROI

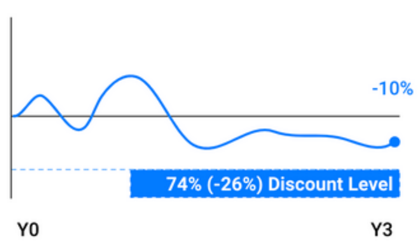


- $74K cash outlay buys $100K of exposure to the worst performing stock.
- The worst performer is up 20% at maturity.
- Investors receive back $120,000 in cash (100k x (1+0.2)).
- Realised Return = $120k Returned - $74k Invested = $46k (62.12% ROI).

Scenario 2: Bearish

The worst performing reference asset is down -10% at maturity.

+21.62% ROI

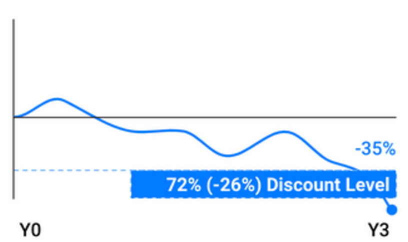


- $74K cash outlay buys $100K of exposure to the worst performing stock.
- The worst performer is down -10% (90% of its initial price) at maturity.
- Investors receive back $90,000 worth of shares in the worst performer (100k x (1-0.10)).
- Unrealised Return = $90k in shares - $74k invested = $16k (21.62% ROI).

Scenario 3: Very Bearish

The worst performing reference asset is down -35% at maturity.

-9.73% ROI



- $74K cash outlay buys $100K of exposure to the worst performing stock.
- The worst performer is down -35% (65% of its initial price) at maturity.
- Investors receive back $65,000 worth of shares in the worst performer (100k x (1-0.35))
- Unrealised Return = $65k in shares - $74k invested = -9k (-12.16% ROI).

1. *Subject to credit risk of the issuer.*
2. *Stropro. Scenarios are for explanatory purposes only.*
3. *In addition to the above risks, various factors may impact on the potential return of the product. Some of these risks are Credit risk, Recourse limited to the Guarantor and ADI status, Market Risk, Liquidity Risk. The above summary is not a definitive list of risks - please requests or access term sheets on platform for a full description of risks.*

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stropro

Australia's Leading Alternative Investments Platform.

Access exclusive global opportunities | 9+ World's Largest Investment Banks | Gateway to 220,000+ Global Funds

Some of the problems we solve:

Enhanced Cash

1. Daily liquid money market funds from top institutions.

2. CDs price tendered across 8+ panel of global banks.

Higher Income

Income paying strategies with defensive features and smart-entry levels to buy stocks at discounted levels.

Liquidity

Unlock liquidity from large equity positions, without triggering a CGT event.

Hedging

Customised FX/Equity hedging strategies.

Enhanced Cash

Higher Income

Equity Release

FX/Equity Hedging

Enhanced Growth

Tax Optimisation

Global Alternative Funds

Enhanced Growth

Maximise exposure with a smaller capital outlay. Investors risk only their initial capital outlay.

Enhanced Growth
with Deductible Interest

Highly geared in the form of a limited recourse loan. The loan component offers attractive interest deductibility.

Global Alternative Funds

Curated deal-flow and reverse inquiry of best-in-class offshore and onshore fund managers within private equity, venture capital, private credit, real estate, infrastructure and hedge funds.

We bring a wealth of experience:

5Bn+

Our Founders have previously overseen a $5bn portfolio of institutional investments

200+

Wealth advisers using Stropro Adviser Hub for tailored solutions for their portfolio.

9+

Partnerships with global investment banks providing institutional capabilities and research.

$350M Investment flows as of April 2024

>280 Investments launched on all asset classes

Morgan Stanley | Goldman Sachs | MACQUARIE | SOCIETE GENERALE | citi | NATIXIS | BNP PARIBAS | MAREX

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