

## CONTRA THE HEARD

(Last update Aug 16, 2022 – Bel Fuse)

UPDATE Sept 11, 2022

### VICE-PRESIDENT'S PORTFOLIO

TSX Sell: Cameco (CCO)

Purchase Price	\$11.86
Shares Purchased	1300
Buy Limit	\$14.50
Sell Target	\$27.50 to \$35.00
First Sale	550 shares at \$34.14
Second Sale	375 shares at \$37.59
Third Sale	375 shares at \$40.40
Current Price	\$39.36

Farewell Cameco. Today the VPP unloaded the final stake in this uranium giant. This sale marks the third disposition for a gain of 240.6%, plus dividends along the way. As a reminder, the first two sales generated returns of 187.9% and 216.9% respectively. To achieve this during a turbulent three-year period is excellent and adds to the VPP's string of triple digit wins so far this year.

So why sell? The first reason is valuation. The stock is trading at its highest level since 2011, the price to sales ratio is at its highest point since 2010, and the price to book ratio has not consistently been this high since before the Financial Crisis. Not only is Cameco expensive versus where it has traded historically, but it is pricey versus peers. Second, we think a lot of optimism is priced into Cameco. You might have noticed that Elon Musk has been promoting nuclear recently and the post Fukushima chill is gone. Finally, in the past 52 weeks the executives and directors have sold \$12.3 million in stock. That sounds like more than balancing personal portfolios.

There was a lively debate on whether to hold half the remaining position and see where this goes. Ultimately, however, the decision was made to part ways with the name entirely. This said, there are strong arguments for holding some. The balance sheet has about \$400 million net cash, the operations are doing well, and momentum is strong. Uranium is one of those sectors that has a history of wild swings, and the recovery seems young still which means Cameco could grow into its lofty valuation.

Baring a meltdown, nuclear's future is bright. Demand is expected to increase significantly over the next decade, Japan is looking at expanding its fleet of reactors, and Germany may be doing an about face on nuclear too. On the supply side the picture is bullish, as the world faces a dearth of new supply thanks to years of underinvestment following Fukushima. Moreover, it is carbon free, provides a tremendous amount of energy, and unlike renewables, it is baseload generation.

Looking to the future, the VPP's year-to-date sales and performance highlight Phil's handiwork and leadership as well as Ben/Benj's guidance behind the scenes. Phil was responsible for the thesis, position size, and sell rational on Century Aluminum, Bel Fuse, and Cameco. Yet, each name was approved by one or both veterans and when it came time to buy or sell, their input was instructive and incorporated into each decision. In short, Ben and Benj were involved in these choices, but Phil has continued to demonstrate he can successfully steer the ship. We hope in the future this arrangement continues to generate profitable results.