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## *Fund Takes a Bottom-Up View on Resource Bets*

BY MATT WHITTAKER

NEW YORK Shawn Reynolds's goal is to pick resources stocks that can perform well regardless of what their underlying commodities are doing.

That is easier said than done, but the strategy comes in handy for the portfolio manager of the Van Eck Global Hard Assets Fund (GHAAX) in times when global events increase volatility in the commodities arena.

"A basic investment tenet is we try to pick the best stocks that can perform under any commodity price," Mr. Reynolds said. "We look at it from the bottom up."

The most basic metric Mr. Reynolds uses is longer-term supply-and-demand assessments based on economic growth. That can help the fund navigate the constantly changing factors that affect commodities prices in the short term, such as the Libyan crisis or Japanese earthquake.

When picking stocks such as miners or oil-and-gas producers, Mr. Reynolds and his team try to find companies whose potential reserves may not be being given full value by the market. They also assess other company nuances. "Who's got great assets? Who's got great management?" he said. "We spend a lot of time on the road."

The strategy seems to be working, though in the past decade commodities prices have mostly been on the rise, too.

The fund has benefited from rising commodities prices, but it is management's expertise in areas such as geology that has helped it

outperform its peers, said Morningstar analyst Josh Koeck. "One thing that really separates that fund from its peers is that it has a large energy stake."

As of Feb. 28, 65.6% of the fund's holdings were in energy, compared with an average of roughly 50% for its peer group.

As of Friday, the fund had an annualized return of 18% for the past 10 years and 2.9% in the last three, 3.35 and 3.6 percentage points better than its peer category, respectively, according to Morningstar, which rates it five stars. It has returned 26.4% in the past year, seven points better than its category average, and it is up 2.8% year to date, 0.3 point better than the category average.

Mr. Reynolds particularly likes unconventional oil plays in North America, such as Brigham Exploration Co., Cimarex Energy Co. and Pioneer Natural Resources Co., as well as such oil-service companies as Weatherford International Ltd. and Halliburton Co.

He expects steelmaking and power generation coal prices to move higher, while he is mildly optimistic on gold. "We like gold because all the senior gold miners are having a really hard time having successful exploration replace reserves," he said.

At the moment, he thinks politically stable North America is a pretty good place to invest in. In the long run, Africa will become a more attractive play for commodities investment. "Our direct exposure to Africa will be increasing steadily" because of the "immense unexploited natural resources," he said.