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In today's Bulletin, we look at two top companies that, once again, outperformed expectations. Good things come from good companies!

NESTLE BACK ON TRACK AFTER PANDEMIC AND ITS AFTERMATH

Nestlé (NESN, Switzerland, 107.36) had a strong first half, with organic growth up 8.7% on the back of a 9.5% increase in prices. Growth was across geographies and categories. Total reported sales increased by 1.6% to Sfr 46.3 billion, after accounting for foreign exchange, which decreased sales by 6.7%. Net acquisitions also affected sales negatively. The margin was up again, to just over 17%.

Although all regions reported positive organic growth, with Latin America and North America both up by double digits, Europe was the weakest, declining by 2.4% using a different metric, "real internal growth". The company said that consumer sentiment in Europe is a concern.

Among sectors, Purina Pet Care once again had the fastest growth, but infant nutrition has started to catch up; both saw double-digit growth in the period. The Health Science unit, where Nestlé has invested heavily in recent years, was also strong, with growth of almost 5%.

"Back to virtuous circle"

Most significantly, after years of covid and lockdowns, followed by inflation and supply disruptions, which saw "day-to-day crisis management," CEO Mark Schneider commented that "we have seen signs of further normalization in our operating environment in the first half. This allows us to be more strategic and more forward-looking in the way we manage our business. We're getting back to our proven virtuous circle of managing for steady and profitable growth."

For the full year, the company has increased its organic sales growth guidance as well as its margin expectations. Though debt increased, the company has a comfortable balance sheet. It repurchased Sfr 2.4 billion of shares as part of its three-year Sfr 20 billion buyback program, which is now half-way through.

On a yield basis, Nestlé now trades at its highest since mid-2019, and on other valuations metrics is also trading below levels of the last year or more. We are holding, and looking to buy on any pullback, perhaps to the Sfr 105 level.

Agnico beats again, with nearly all mines on track

Agnico Eagle (AEM.NY, 51.32) once again beat analyst estimates, with record quarterly production and cost control, putting it on track to meet annual guidance on both production and costs. Quarterly EBITDA of $889 million was significantly above analyst estimates. Each of Agnico's operations reported production in line or better than expected, with the exception of Amaruq (where the mill had a 15-day shutdown because of a longer-than-usual caribou migration) and Fosterville (due to lower grades; the mine resumed full operating hours at the end of the quarter after noise restrictions were lifted). Detour, Canada's largest gold mine, reported record ore throughput and production.

Looking ahead, various major projects are moving ahead, with study results expected later this year on optimization at the Abitibi gold belt, including sequencing of production from the various deposits near to Malartic (see Bulletin #869); as well as an underground study on Detour Lake. Along with partner Teck Resources, Agnico is expecting to complete a feasibility study at San Nicolás next year.

Increased exploration budget on top of projects underway

So Agnico has a lot of growth ahead of it, but it has also increased its total exploration budget for the year following success by around 10% to $350 million, one of the largest exploration spends of any gold miner.

Although it is a premium company with a low political risk profile, stronger balance sheet and higher margins, it is trading at lower multiples (on most valuation metrics, though Barrick is lower on cash flow and close on price-to-book) than other major gold miners. Agnico is a buy.

Pan American to sell mine interest?

Pan American (PAAS.NY, 15.87) is reported to be in advanced discussions with Glencore, its minority partner in the Mara copper project in Argentina, for the latter to buy its interest. Pan American owns a 56% stake that it acquired when it purchased Yamana. Neither company has commented on the report. Depending on the price of course, this could be a positive for Pan American, restoring its balance sheet after the Yamana acquisition. Hold.

More drilling for Midland

Midland Exploration (MD, To., 0.52) announced that drilling has resumed on its copper-gold-silver-molybdenum discovery at the La Peltrie property, a partnership with Probe Gold. Buy.

TOP BUYS THIS WEEK in addition to above, include **Barrick Gold** (GOLD.NY, 16.98); **Fortuna Silver** (FSM.NY, 3.46); **Lara Exploration** (LRA, To., 0.79); and **Nova Royalty** (NOVR, To., 1.66).

GOLD IS MONEY Maybe it didn't come out quite right, but I was taken aback from a comment in a recent interview by Bridgewater's Co-CIO Karen Karniol-Tambour when she referred to gold as "an alternative to real money". Au contraire!

IRONY OF IRONIES Former FedHead Ben Bernanke has been appointed to review the Bank of England's notoriously wrong inflation forecasts. Given Bernanke's outrageously inaccurate economic prognostications back in 2007 and 2008, one can only think that this is a peculiar choice.

COMING TO A THEATRE NEAR YOU Following my recent discussion on the activity of British banks in closing accounts of people whose *opinions* they disagree with, we now see this spreading to the U.S.A., where earlier this month, JP Morgan Chase suddenly closed the business accounts of "anti-vaxxer" (shorthand) Dr. Joseph Mercola, along with the personal accounts of his natural health products company CEO, CFO and their spouses and children. Dr. Mercola had been a client for 18 years. As usual, no clear (and true) reason was given, with the bank citing "unusual activity". Again, as usual, the bank refuses to discuss the case "for legal reasons", but a spokesman rubbed salt in the wounds by saying that Dr. Mercola had been "a good client". This is the bank that maintained a very strong relationship with convicted sex trafficker Jeffrey Epstein, after his conviction, until just a few months before his death. You may not agree with Nigel Farage's Brexit views nor Dr. Mercola's criticisms of covid policy, but these cases (and others like them) should scare you.

> *In response to comments from some friends, yes, I believe a business has the right to decide who it wants (and does not) as customers. However, a business has a moral duty to let it be known in advance who it does not want as a customer; it has a moral obligation to provide a clear (and accurate) explanation when it tells you it no longer wants your business. And it certainly should not leak lies and innuendos to the press (as in the case of Farage). Lastly, where a business has a deep government-enforced moat preventing newcomers; where it has been bailed out by taxpayers—and in the case of Farage's bank is still partly owned by the government—perhaps some mitigation of the general principle applies.*

UPCOMING EVENTS On Wednesday 16th August at 7 p.m., Rich Checkan and I shall be hosting another of our *On the Move* webinars, with special guest Alex Green. Chief Investment Officer of the Oxford Club, and best-selling author, Alex is sure to provoke debate and challenge assumptions. I first met Alex over 30 years ago and know him to be bright, ethical and independent in this thinking. Register now since we expect space to be limited.

Then, September 9th is the annual Capitalism & Morality Conference, in Vancouver, hosted by Jayant Bhandari. This is not an investment conference, but I have met many of you here over the years. I'll be presenting on "Individualism, Land Rights and Liberty in Mediaeval England." Other speakers include Dr. Amy Wax and Rick Rule.

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