

# STOCK AND PARTNERSHIPS

# Taking an Ownership Stake;

- ▣ Publicly Traded Corporations
- ▣ Master Limited Partnerships
- ▣ American Depositary Receipts

# Publicly Traded Corporations;

- ▣ Direct- Involvement Corporations
- ▣ Indirect- Involvement Corporations

## Direct-Involvement Corporations

Direct-involvement corporations are companies that are engaged in the early phase of commodity production, such as mining companies and oil and natural gas exploration and production companies. These corporations present an elevated degree of risk but also provide a higher reward potential.

## Indirect-Involvement Corporations

Indirect-involvement corporations are companies that are not involved in the initial stage of exploration and procurement but provide critical equipment and services to direct-involvement corporations.

# Master Limited Partnerships

## MASTER LIMITED PARTNERSHIPS

Also referred to as publicly traded partnerships (PTPs), master limited partnerships are public companies that trade on public stock exchanges—principally the New York Stock Exchange—just as common stocks do. However, instead of purchasing shares of stock, investors purchase what are called units and therefore are referred to as unit holders rather than shareholders.

The chief differences between Master Limited Partnerships and Publicly Traded Corporations are the following;

- ▣ Ownership structure
- ▣ Tax treatment
- ▣ Tax reporting

# Ownership structure

A master limited partnership is composed of a general partner or partners and limited partners. General partners are responsible for both establishing and managing the partnership. They assume 100 percent liability for claims against the partnership in case of financial hardship. In contrast, limited partners are responsible for claims against the partnership only up to the amount of their investment.

# Tax treatment

The second difference and the principal reason for investing in master limited partnerships over publicly traded corporations is favorable tax treatment. With corporations, income is subject to double taxation by which the corporation pays taxes on income earned and the shareholder pays taxes on the same income received through the distribution of dividends. Double taxation does not occur with a master limited partnership as long as the partnership gets at least 90 percent of its income from activities involving the exploration, production, distribution, and transformation of commodities.



# Tax reporting

The third difference between master limited partnerships and publicly traded corporations involves tax reporting. Investors (shareholders) in publicly traded companies receive 1099s that show the income they received in the form of dividends and capital gains or losses. Investors (partners) in master limited partnerships do not receive 1099s but instead receive K-1 tax forms that illustrate the proportionate amount of income received by the partner and earned by the partnership.

# American Depositary Receipts

American Depositary Receipts provide ownership in a foreign company that is not listed on an American stock exchange. Some foreign companies decide not to list their stocks in the United States for reasons that range from burdensome regulatory requirements to added costs. As a result, many money center banks in the United States purchase shares of stock in foreign companies on foreign stock exchanges and then offer to sell the rights to those shares in the form of depositary receipts.

# Commodities Companies

- ▣ Energy Fuel
- ▣ Agriculture
- ▣ Livestock
- ▣ Precious Metals
- ▣ Industrial Metals
- ▣ Other Commodities

# Energy Fuels - Coal

- *Arch Coal, Inc. (NYSE: ACI)*: This company is involved in mining for coal, producing about 130 million tons of coal a year, with operations in nearly two dozen mines in the western United States and central Appalachia. This company also operates the Arch Coal Terminal near the Ohio River.
- *Peabody Energy Corporation (NYSE: BTU)*: This company, established in 1883, is the largest coal producer in the world, with operations in more than 40 mines and processing facilities in the United States and Australia. Peabody Energy produces about 250 million tons of coal annually and has 10 billion tons in reserve. Other activities include coal trading and brokering, coal bed methane production, the development of coal-based generating plants, and transportation-related services.

# Energy Fuels - Coal

- *Rio Tinto Group (NYSE: RTP; an ADR)*: This company is involved in mining for copper, iron, uranium, gold, diamonds, and of course coal, which accounts for about 20 percent of its sales. As one of the world's largest mining companies, Rio Tinto operates primarily in Australia and North America, which together account for about 80 percent of its operations.
- *Burlington Northern Santa Fe Corporation (NYSE: BNI)*: This Fort Worth-based company that was founded in 1849 provides freight rail transportation services through North America. A few of the commodities transported are coal, diesel fuels, wheat, corn, soybeans, lumber, and liquefied petroleum gas. Burlington Northern Santa Fe operates over 30,000 route miles in 28 states and two provinces in the United States and Canada.

# Energy Fuels – Crude Oil and Natural Gas

- *Total, S.A. (NYSE: TOT; an ADR):* This French company is involved in exploration, production, refining, and distribution of crude oil and related products. With operations in over 100 countries, Total is a truly global oil and gas company.
- *BP, plc (NYSE: BP; an ADR):* This London-based company is involved in exploration, production, refining, and distribution of crude oil, gasoline, and related energy fuel products, with operations in Europe, Africa, the Middle East, and the Americas. BP, the new name for what was once British Petroleum, operates the Trans-Alaska pipeline and has enormous reserves of oil and natural gas.

# Energy Fuels – Crude Oil and Natural Gas

- *ConocoPhillips Company (NYSE: COP)*: This American company is involved in exploration, production, refining, and distribution of crude oil and natural gas in the United States and Canada. ConocoPhillips participates in the extraction of oil from oil sands in western Canada. The company nearly was acquired by a Chinese company before American political pressure torpedoed the deal.
- *ExxonMobil Corporation (NYSE: XOM)*: This Houston-based company is involved in exploration, production, refining, and distribution of crude oil and natural gas, with operations in over 200 countries and territories around the world. ExxonMobil claims to be the largest nongovernmental market of natural gas in the world.
- *Royal Dutch Shell (NYSE: RDSA; an ADR)*: This well-known global company is involved in exploration, production, refining, and distribution of both crude oil and natural gas. This Dutch and British company also operates pipelines in the United States and Canada.

# Energy Fuels – Crude Oil and Natural Gas

- *Chevron Corporation (NYSE: CVX)*: This California-based company is involved in both the crude oil and natural gas markets, with operations in the United States, Australia, Africa, and the Gulf of Mexico.
- *Petroleo Brasileiro S.A. (NYSE: PBR; an ADR)*: This Brazilian company from Rio de Janeiro, together with the companies it invests in, is involved in the supply, transportation, and distribution of crude oil and natural gas, primarily in Brazil.
- *Statoil, ASA (NYSE: STO; an ADR)*: This Norwegian company is involved in exploration and production of crude oil and natural gas. Many of the operations are off the coast of Norway in the North Sea; there are other operations in Africa, South America, Asia, and other parts of Western Europe.
- *Enterprise Products Partners, L.P. (NYSE: EPD)*: This American company based in Houston, Texas, is involved in the production and processing of natural gas and propane. Operations are principally in the United States, and the company is registered as a limited partnership rather than a corporation.
- *Transocean (NYSE: RIG)*: This company provides offshore exploratory equipment and services to oil exploration and production companies involved in the extraction of new deposits.



## Electric Power

- *Dynegy, Inc. (NYSE: DYN)*: This Houston-based company is involved in the generation and distribution of electric power in the United States. The primary energy fuels used to generate electric power are coal, natural gas, and crude oil.
- *American Electric Power Company, Inc. (NYSE: AEP)*: This is one of the largest companies for the generation and distribution of electric power in the United States. With a transmission network of approximately 39,000 miles, AEP is also a big player in the wholesale energy business, where it markets and trades electricity, natural gas, and other commodities and has interests in independent power plants. Its product line is rounded out with natural gas transportation, storage, and processing; barge transportation; and telecommunications infrastructure services.
- *Duke Energy Corporation (NYSE: DUK)*: In 2006 this company acquired Cinergy for \$9 billion in stock, making it one of the largest electric power companies in the world. After the completion of the deal, Duke had 3.9 million electric customers in the American South and Midwest, with a sizable commercial power unit and foreign operations.

## Ethanol

- *Aventine Renewable Energy Holdings, Inc. (NYSE: AVR)*: This American company, which began trading publicly in 2006, is involved in the production and marketing of ethanol, making it one of the leading companies for that fuel product. Aventine's production facilities are situated in Illinois and Nebraska, two of the leading corn-growing states.

## Solar Power

- *SunPower Corporation (NASDAQ: SPWR)*: This company is involved in the production of solar cells and solar panels. Other products include imaging and infrared detectors manufactured through a thin-wafer process. SunPower is majority owned by Cypress Semiconductor.

## Uranium Ore

- *Cameco Corporation (NYSE: CCJ)*: This company, the world's leading producer of uranium ore, is involved in the mining and enriching of uranium ore used to fuel nuclear power plants. Cameco, the producer of 20 percent of the world's uranium output, has the world's largest known deposit of high-grade uranium in Canada. Aside from Canada, countries where other operations are situated include the United States, Mongolia, and Kyrgyzstan, the later two through a controlling interest in Centerra Gold.
- *AREVA Group (Euronext: CEI)*: This French company mines and enriches uranium ore and builds and services nuclear reactors. Other services include treating and recycling used nuclear fuel and electric power transmission and distribution equipment.

# Agriculture

## Coffee

- *Starbucks Corporation (NASDAQ: SBUX)*: This company is the leading specialty coffee retailer in the world, with more than 13,000 coffee shops in over 30 countries. Seattle's Best Coffee is owned by Starbucks. Other products include tea, roasted beans, and coffee accessories.

## Corn and Wheat

- *Archer Daniels Midland Company (NYSE: ADM)*: This company is involved in the production of corn, wheat, and oilseeds, with operations around the world. Its refined products include durum flour, syrups, citric and lactic acids, sweeteners, and ethanol.

## Soybean Products

- *Archer Daniels Midland Company (NYSE: ADM)*: This diversified food company based in Illinois is involved in growing, harvesting, processing, and distribution of many agricultural products, including soybeans, which are processed into oils and meals for the feed and food industries.
- *Bunge Limited (NYSE: BG)*: This company is involved in many different agricultural products, including soybean oils and meal, grains, livestock, and poultry. Based in New York, its operations span the production, processing, and storage segments, making it a very diversified commodities company.

# Livestock

## Pork

- *Seaboard Corporation (AMEX: SEB)*: This diversified livestock and agricultural company sells pork, flour, and sugar to over 25 countries around the world. It also is involved in shipping services, power plants, flour mills, commodity trading, and the refining of sugarcane.
- *Smithfield Foods, Inc. (NYSE: SFD)*: This company is the world's largest hog producer and pork processor. Smithfield sells meat products in over 40 countries around the world and purchased Premium Standard Farms, a pork producer, in 2007.

# Livestock

## Poultry and Beef

- *Tyson Foods, Inc. (NYSE: TSN)*: This company is one of the largest chicken producers in the United States and the single largest meat-producing company in the world; that status was accomplished after its acquisition of IBP Fresh Meats. Through its 53 meat-processing plants, Tyson sells products in over 80 countries. Other product lines include frozen prepared foods and precooked meats.
- *Pilgrim's Pride Corporation (NYSE: PPC)*: This company is involved in the breeding, hatching, raising, processing, distributing, and marketing of turkey and chicken. Prepared poultry is another principal product line sold under the Pilgrim's Pride and Country Pride names.

# Precious Metals

## Gold

- *Anglo American Plc (NASDAQ: AAUK; an ADR)*: This Britain-based company is involved in mining and is one of the leading gold-producing companies in the world. It also mines for platinum, diamonds, and coal.
- *Barrick Gold Corporation (NYSE: ABX)*: This Canadian company is involved in mining for gold in Australia, Africa, and North and South America. Barrick has over 80 million ounces of proven and probable gold and mineral reserves.
- *Newmont Mining Corporation (NYSE: NEM)*: This Denver-based company is involved in mining for gold in Africa, Asia, New Zealand, and North and South America. It has over 90 million ounces of proven and probable gold reserves around the world.
- *AngloGold Ashanti Ltd (NYSE: AU; an ADR)*: This company, which is 42 percent owned by Anglo American, is involved in mining for gold around the world.
- *GoldCorp, Inc (NYSE: CG)*: This Vancouver-based company with operations principally in Australia and North and South America is involved in mining for gold. It has over 25 million ounces of proven and probable gold reserves.

# Precious Metals

## Platinum

- *Anglo Platinum Limited (a subsidiary)*: Majority-owned by Anglo American, Anglo Platinum is the largest producer of platinum in the world, accounting for about 38 percent of total global production, with mining, sheltering, and refining operations concentrated in South Africa. It also is involved in the production of palladium and rhodium and has more than 220 million ounces of reserves.
- *Impala Platinum Holdings Limited (Pink Sheets: IMPUY; an ADR)*: This company is the second largest platinum producer in the world, with principal operations in South Africa and Zimbabwe. Other metal products produced are palladium, rhodium, and ruthenium, which are all part of the platinum metal group.



# Precious Metals

## Silver

- *Silver Wheaton Corp. (NYSE: SLW)*: This Vancouver, Canada-based company is involved in the purchase and distribution of silver procured from Central and South America as well as Sweden. Silver Wheaton is a subsidiary of GoldCorp.
- *Pan American Silver Corporation (NASDAQ: PAAS)*: This company is involved in mining for silver in Central and South America, with an emphasis on Mexico and Peru. It is based in Vancouver, Canada.
- *Silver Standard Resources, Inc (NASDAQ: SSRI)*: Based in Vancouver, this company is involved in silver exploration in Australia and the Americas, principally Mexico, Argentina, and the United States.
- *Apex Silver Mines Limited (AMEX: SIL)*: This Cayman Islands-based company is involved in the production of silver in South America, principally in Bolivia.

# Industrial Metals

## Aluminum

- *Alcoa, Inc. (NYSE: AA)*: This well-known company is involved in the production of aluminum and fabricated products used in many diversified final products. New York-based Alcoa has operations in Australia, Russia, Brazil, and the United States.
- *Alcan, Inc. (Toronto: AL)*: This Montreal-based company is involved in the mining, refining, and finishing of bauxite and alumina in the United States, Europe, and Asia. Alcan is the world's third largest aluminum producer, behind former parent Alcoa (split in 1928) and Rusal (a Moscow, Russia-based private company). After a failed takeover bid by its competitor Alcoa, Alcan announced a friendly merger deal with Rio Tinto that would create the world's largest aluminum company, named Rio Tinto Alcan.
- *Kaiser Aluminum (NASDAQ: KALU)*: This American company is involved in the production of aluminum ingots and fabricated products used in many transportation products, such as automobiles.
- *Maxxam, Inc. (AMEX: MXM)*: The owner of approximately 60 percent of Kaiser Aluminum, Maxxam is engaged primarily in real estate and lumber production.

# Industrial Metals

## Copper

- *Freeport-McMoRan Copper & Gold (NYSE: FCX)*: This company is involved in mining for copper, gold, and silver. Copper, in the form of concentrates and refined products, accounts for the majority of sales. In 2007, Freeport-McMoRan acquired Phelps Dodge in a transaction valued at \$26 billion. The resulting combined company was the second biggest copper-producing company in the world. This company has approximately 35 billion pounds of copper and about 35 million ounces of gold in proved and probable reserves.
- *Southern Copper Corporation (NYSE: PCU)*: This company is involved in the mining and extraction of copper, with principal operations in Mexico and Peru. Based in Phoenix, Arizona, Southern Copper is a subsidiary of the Americas Mining Corporation.

# Copper

- *Freeport-McMoRan Copper & Gold, Inc. (NYSE: FCX)*: This company is involved in mining for copper in Indonesia. Based in New Orleans, Louisiana, it is one of the lowest-cost producers of copper in the world.
- *Ivanhoe Mines, Ltd. (NYSE: IVN)*: This company is involved in the mining of copper in remote areas around the world, specifically Myanmar, Mongolia, and Australia.
- *Corporación Nacional del Cobre de Chile (Codelco)*: This company is the leading producer of copper in the world and controls 20 percent of the world's known copper reserves. Unfortunately, investors are unable to make investments in Codelco since the company is owned by the Chilean government.

## Nickel

- *Vale Inco Limited (NYSE: Rio; an ADR)*: This Toronto-based company is involved in mining for copper but is known principally for the mining of nickel. Inco is the world's number two producer of nickel (after the Russian giant Norilsk Nickel), supplying approximately 33 percent of all nickel demand. Operations are in Canada and Indonesia. Acquired in 2006, Vale Inco Limited (formerly CVRD Inco and before that Inco Limited) is a wholly owned subsidiary of the Brazilian mining company Companhia Vale do Rio Doce.

## Palladium

- *North American Palladium (AMEX: PAL)*: This Toronto-based company is involved in mining for gold, copper, nickel, and platinum, its principal metal.
- *Stillwater Mining Company (NYSE: SWC)*: This company is involved in refining palladium, platinum, and other related minerals. Most of its operations are in Montana.

## Zinc

- *Boliden AB (Pink Sheets: BDNNF)*: This European company is involved in the mining and smelting of zinc and copper, with operations in the Scandinavian countries. Other metal products produced are lead, tin, and some precious metals.
- *Horsehead Holding Corporation (NASDAQ: ZINC)*: This company is involved in the production of zinc, zinc oxide, and zinc products from zinc-containing dust, such as dust from electric-arc furnaces at steel mills and residue from the galvanizing of metals. Horsehead has operations in Texas, Illinois, Oklahoma, Tennessee, and Pennsylvania.

# Other Commodities

## Lumber

- *Weyerhaeuser Company (NYSE: WY)*: This company is involved in the growing, harvesting, and distribution of timber. Additional operations include the manufacture of timber-related products, such as construction materials, used in the United States. Weyerhaeuser is based in the state of Washington and has operations in approximately 20 countries around the world.
- *Rayonier, Inc. (NYSE: RYN)*: This Jacksonville, Florida–based company is involved in the growing and distribution of timber in properties stretching from the United States to Australia and New Zealand. The manufacture of timber-related products is also done.
- *Louisiana-Pacific Corporation (NYSE: LPX)*: This company is involved in the provision of timber-related products to many home outlet companies and distributors throughout Asia, Europe, and the United States, its principal base of operations.
- *Universal Forest Products, Inc. (NASDAQ: UFPI)*: This Michigan-based company is involved in the production and distribution of lumber and related products to wholesalers and general construction contractors.

# Other Commodities

## Cotton

- *Delta and Pine Land Company (NYSE: DLP)*: This Mississippi-based company is involved in the growing, harvesting, and distribution of cotton throughout the world, principally from operations in Turkey, South Africa, Costa Rica, and Australia.



# Company Specific Risks

- *Business risk*: the risk attributed to a company's operations, particularly those involving sales and income.
- *Financial risk*: the risk attributed to a company's financial stability and structure, namely, the company's use of debt to leverage earnings.
- *Industry risk*: the risk attributed to a group of companies within a particular industry. Investments tend to rise and fall on the basis of what a company's peers are doing.
- *Liquidity risk*: the risk that an investment cannot be purchased or sold at a price at or near market prices.
- *Call risk*: The risk attributed to an event in which an investment may be called before maturity.
- *Regulation risk*: the risk that new laws and regulations will affect the market value of an investment negatively.