



## Digging Deeper for Investment Opportunities

When T. Rowe Price investment professional Tom Shelmerdine wants better insight into some of his investment ideas, he steps away from his office computer and goes underground. "I spend a lot of time in mines, looking at new techniques, talking to managers, and getting a sense of the company culture," says Tom, who covers the metals and mining industry, mainly in Australia. While on site visits, Tom puts into proper context the fundamental analysis that he uses to help investors understand the competitive landscape in the natural resources sectors. A few years ago, Tom wanted to assess the cost competitiveness of China's domestic mining industry—generally seen as higher cost and labor-intensive. On a trip to a Chinese iron ore operation, he saw an efficient and more globally competitive operation, which ran counter to the overly pessimistic market consensus about some of the mines in China. "Our mine visit helped reshape my thinking," he recalls. "The cost performance of that mine was a lot better than we expected, and operations were competitive with some of the mines I had visited in the West. I would have never gathered this kind of information if I hadn't gone out in the field, because the external data available were not telling us the full story."

### Going Beyond the Numbers Reveals the Full Story

At T. Rowe Price, our investment approach is to go beyond the numbers



*Talking with*  
**Tom Shelmerdine**

Investment Professional, T. Rowe Price

when evaluating which companies offer the best future investment potential. By meeting with executives, employees, and customers, we can ask the right questions to get a deeper understanding of where a company stands and where it could go in the future. This rigorous research strategy is integral to Tom's investment process.

### Building Insight From the Ground Up

Tom travels to China generally twice a year and visits other mining operations across the globe, where he tours company facilities and talks to industry professionals on the ground. He engages geologists to learn about the quality of the ore bodies, drilling contractors to measure productivity, and equipment managers to figure out how many trucks are moving in and out of the mines. He says that being on the ground helps to "put meat on the bones" of his investment ideas. Aligning investment decisions from a small number of data points would be unwise, he says, so he always tries to validate his best ideas in as many ways as possible. That process has served him well in the past: A base metals mine in Australia was in the

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early stages of ramping up production, but, he says, market consensus was questioning whether the mine could meet its production targets. Tom packed a suitcase, got on a plane, and toured the mine. He found a well-capitalized, well-run operation that could, in his opinion, ultimately perform better than expected. "The market was ultimately too short-term-focused, and it was clear the operation would achieve its full potential," he says. Indeed, the mine performed to our expectation, and investors benefited from owning shares of the company.

## Getting Ahead of Change

Tom says that the metals and mining industry is a constantly changing organism. "You can't fully get a handle on all the moving parts unless you're actually out there looking for it and seeing it and feeling it." Tom is keeping

a watchful eye on the industry to get ahead of the changes for investors, and while data analysis is key, Tom's on-site research helps him make better informed investment decisions.

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