



## A Value Investing Legend Bought \$36 Million of Cameco Corporation; Should You Buy, Too?

### Description

David Iben has built something akin to a cult following amongst value investors, and for good reason.

He has made a living out of buying hated stocks. Between 2005 and 2012, Iben managed a combined US\$5.2 billion in assets at Nuveen Investment Inc. There, his portfolios bested 98% of their peers over the five years that ended in 2012.

Today, Iben is bringing that same deep-value philosophy to his new firm, Kopernik Global Investors, LLC. And over the past few months, he has built a huge stake in one of the world's most hated commodity stocks.

### This hated uranium miner could triple your money

According to recent SEC filings, Iben bought more than 1.8 million shares of **Cameco Corporation** ([TSX: CCO](#))([NYSE: CCJ](#)). As of June, his position in the Canadian uranium miner is worth US\$36.0 million and represents the largest position in his portfolio.

As regular Motley Fool Canada readers know, the uranium industry is completely out of favour with the investment community. Following Japan's Fukushima Daiichi nuclear power plant disaster in 2011, a number of countries have scaled back or scrapped their atomic energy programs. Predictably, uranium prices plunged.

The deteriorating fundamentals have hit Cameco shares hard. The stock has underperformed the **S&P/TSX Composite Index** by 61% since the start of 2011.

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*Source: Yahoo! Finance*

Iben is using the massive pullback as a buying opportunity, and I think it would be wise to follow in his footsteps. While the sentiment toward the industry is dour today, the future for uranium prices is

starting to brighten.

On the demand side, Japan's regulatory authorities have given the OK to restart several nuclear reactors. Over the long haul, emerging economies like China and India, desperate for new sources of electricity, see atomic power as a key part of their energy plans. All of these factors could put a bid underneath uranium prices.

On the supply side, today's spot uranium prices are well below the cost of production for many miners. Small producers are going bust. Large companies are scaling back operations. Nobody is investing in future production. Eventually, prices will rise to meet the industry's average cost of production, which are more than 100% above today's levels.

Cameco is the best way to play a uranium recovery. As the largest uranium miner in the world, the company has the size and scale needed to wait out the industry's current doldrums. And because of the leverage inherent in Cameco's business model, the company's profits could rise much faster than the underlying commodity if prices rebound.

### **The smart money is buying Cameco. Should you buy, too?**

Iben isn't the only smart money manager bullish on Cameco. As of June, billionaire investor George Soros owned a US\$44.7 million stake. Other respected hedge fund managers including Israel Englander, Mark Coe, and Peter Muller also initiated or increased the size of their position last quarter.

The mainstream investment community doesn't like Cameco, but the smart money is starting to move in. Which side of this trade would you rather be on?

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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