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Silver Billionaire Welcomes Frenzy

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Billionaire investor Thomas Kaplan had been predicting a rise in silver for years. He just didn't expect it [to happen all in one day](#).

Mr. Kaplan has a lot to gain from a silver rally. His investment company, Electrum Group LLC, controls mines that are sitting on about one billion ounces of the precious metal, he said, and when online traders swarmed the silver market last week, shares of one of those producers took off.

Trading of [Gatos Silver](#) Inc. shares was briefly halted Feb. 1 after they spiked 82% to \$24, briefly giving Electrum Group a \$265 million gain, according to data from FactSet and S&P Global Market Intelligence. The shares have since given almost all of that back, a roller-coaster ride that the 58-year-old Mr. Kaplan called "absolutely exhilarating."

"I expected this to unfold over the next couple of years," Mr. Kaplan said in an interview from his home in southern France. "Now I know what it's like to own an internet stock."

Silver prices briefly jumped more than 10% to \$30 a troy ounce early last week, then retraced much of their recent advance as bets on popular investments for retail traders, such as [GameStop](#) Corp. , unraveled. They ended last week at \$27. Still, the trading activity has put the commodity squarely in the limelight, raising its profile with individual investors, Mr. Kaplan said.

Mr. Kaplan has quietly built up a silver mining empire during the past decade, waiting for long-stagnant prices to rebound. A shift began last year, when investors started buying haven metals while the coronavirus roiled the global economy and sparked market volatility. Silver rose last summer to its highest level since early 2013, a level it briefly exceeded on Feb. 1.

Another reason some analysts expect prices to continue rising: Central banks are printing record quantities of money to prop up their countries' economies. Some believe that will stoke inflation and erode investor confidence in paper currency, [spurring demand for alternatives like bitcoin](#) and precious metals.

Online investors took that idea and turbocharged it, Mr. Kaplan said. "The irony is—and I don't know if they were crazy for buying GameStop—but in silver they got it right."

Shares of miners like those owned by Mr. Kaplan moved far more dramatically than silver last week. That is because the companies face fixed production costs regardless of how the price of the metal is moving, said Joseph Reagor, senior research analyst at investment-banking firm Roth Capital Partners. "If the underlying commodity runs up 5% to 15%, they could move up 15% to 40%," he said.

Mr. Kaplan [has been proselytizing about precious metals](#) for years, but his views were out of favor for much of the past decade. That began to change in 2020, as financial luminaries such as Warren Buffett and Ray Dalio took [positions tied to gold and silver](#), adding to momentum ignited by the pandemic, ultralow interest rates and bets on future inflation.

The silver frenzy of recent days shows that individual investors are also starting to look for inflation hedges, Mr. Kaplan said. "When you can print money at the press of a button, it's not surprising that people would want to find a currency they believe has a limited supply."

The recent volatility in silver prices began with online enthusiasm that quickly spread to other corners of the market as individual investors and professional traders alike sought to take advantage of the momentum.

Large silver traders at banks such as [HSBC Holdings](#) PLC with easy access to silver would have been able to sell and profit as prices on Feb. 1 logged their biggest one-day advance since 2009, analysts said. Record inflows into the largest exchange-traded fund backed by silver contributed to the excitement.

"It created an opportunity with great risk," said Bill Silber, a former precious-metals futures and options trader who wrote a 2019 book about silver. "This was not free money, especially on the heels of the GameStop thing."

Outsize swings are common in the notoriously volatile market, but it is unusual for prices to move so much more than gold without a fundamental driver, traders said. The gyrations have some similarities to a stretch in late 1997, when Mr. Buffett's Berkshire Hathaway Inc. pushed up prices by gradually accumulating large amounts of silver, Mr. Silber said.

Mr. Kaplan credits Mr. Buffett's impact on silver prices for helping him to make his first fortune—with a Latin American silver company he founded in 1993. He then shifted to producers of other commodities, including platinum, natural gas and gold, and founded Electrum, attracting capital from the sovereign-wealth funds of Abu Dhabi and Kuwait.

But a prolonged precious-metals slump began in 2012, and Mr. Kaplan became better known for his wildlife-conservation work and [a huge collection of paintings](#) by Golden Age Dutch masters. Still, Electrum was investing in the Gatos mine, which has resources of about 200 million ounces in Mexico, and the Sunshine Mine in Idaho, waiting for prices to recover so they could tap stock markets for additional capital.

Gatos raised about \$150 million in October when it listed its stock on the New York Stock Exchange at \$7 a share. Electrum is hoping to launch a similar offering for Sunshine in coming years. The company is also developing a second mine in Mexico called Celaya that has resources of at least 800 million ounces, making it one of the biggest privately owned silver deposits in the world, Mr. Kaplan said.

Online investors' rising interest in silver can only help, Mr. Kaplan said. "You're going to create this mountain of generally knowledgeable silver bulls, and that's a sea change for me."

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