LTIF
Long Term Investment Fund

Strategic Value Investing

Value and Commodities are starting a new upcycle

- **What changes with Covid19, short- and long-term / J. Carlos Jarillo**
- Value & commodities will drive the Classic Fund / Marcos Hernandez
- Natural Resources started a new upcycle / Marcos Hernandez - Urs Marti
- Conclusion and Q&A / Alex Rauchenstein

Key message: The worst is behind us: we will be back to normal by the end of 2021.

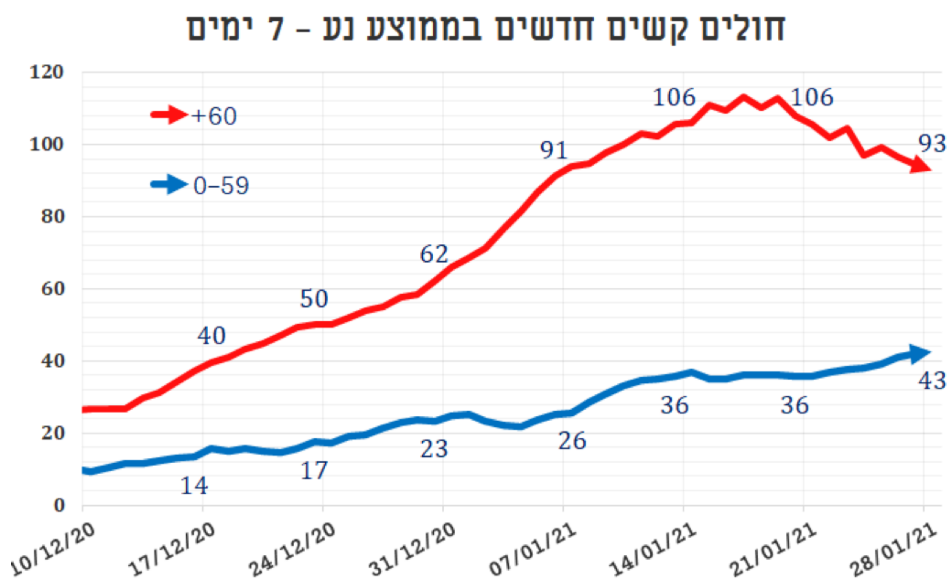
Time for value and commodities.

The 2020 fast recession

- It's a cliché that the financial markets are "*short-termist*"
- Not true in 2020. They sailed through the worst drop in GDP ever recorded with only a short-term wobble.
- The reason for this is that markets do, in fact, look at long-term cash flows and, after an initial moment of uncertainty-induced panic, decided that those cash flows are not going to be very different in 2- or 3-years' time.
- Some companies have taken a debilitating hit (leisure, hotels…), while others even went bankrupt, but the overall economy will pull through.
- We then must look at two things:
  - Short-term evolution of the pandemic
  - Long-term consequences

Vaccines work. Some data from Israel, pioneer in vaccination:

- Out of 715,425 people vaccinated, 317 became infected, (0.04%). Of those, 16 (0.002%) had to be hospitalized
- In another study, out of 163,000 Israelis given both shots, only 31 (0.02%) were infected, compared with nearly 6,500 infections among a control group of unvaccinated people.
- More than half of all cases are of the British variant



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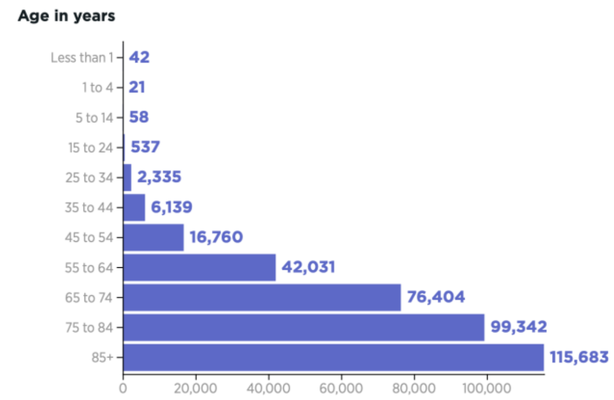
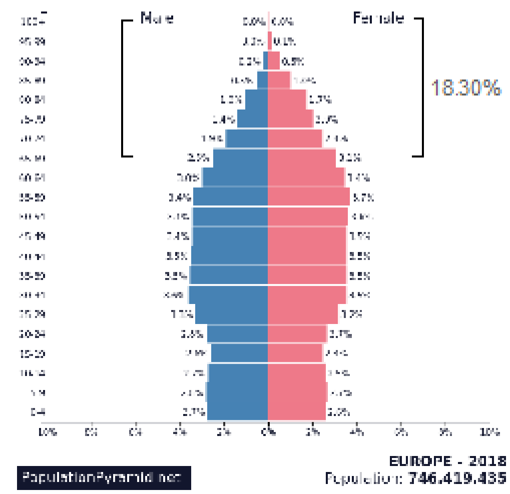
Vaccination rate of 20% is key

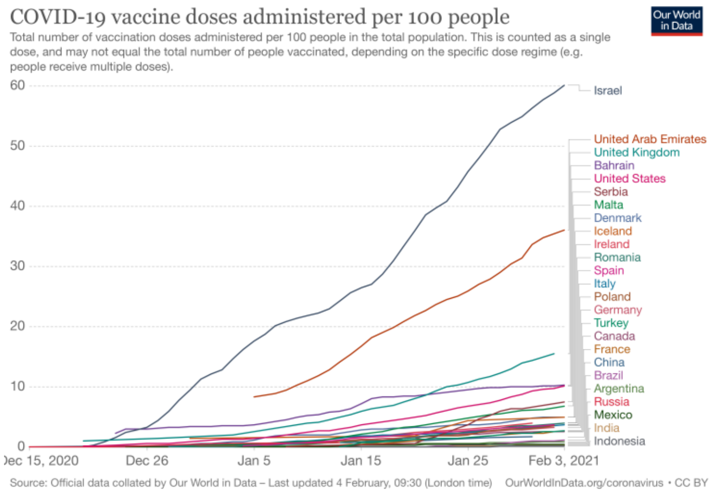
- **More than 80% of those who died due to the Covid-19 virus were over 65 years of age** and this part of the population accounts for 20% of the population in developed countries.

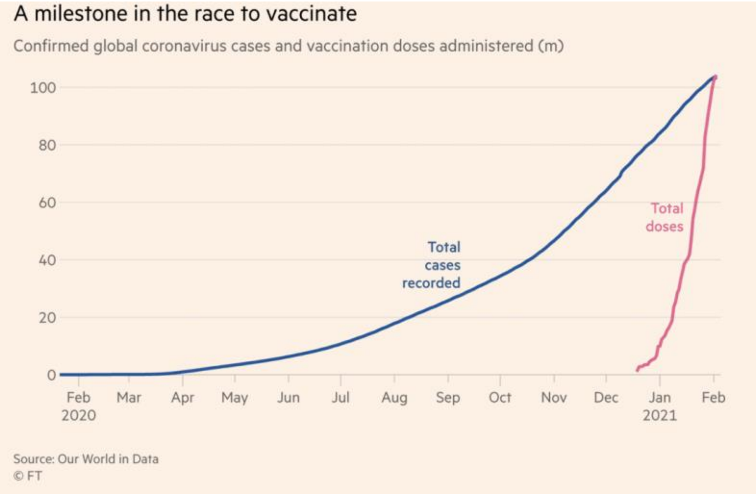


- Since older people will be vaccinated first, **only 20% of a population needs to be vaccinated to allow health systems to cope with the disease**.



- The available vaccines thus work and are being distributed (There are five more vaccines now in the process of approval). As expected, the logistical difficulties have prevented a rapid ramp-up, but inoculations are accelerating.





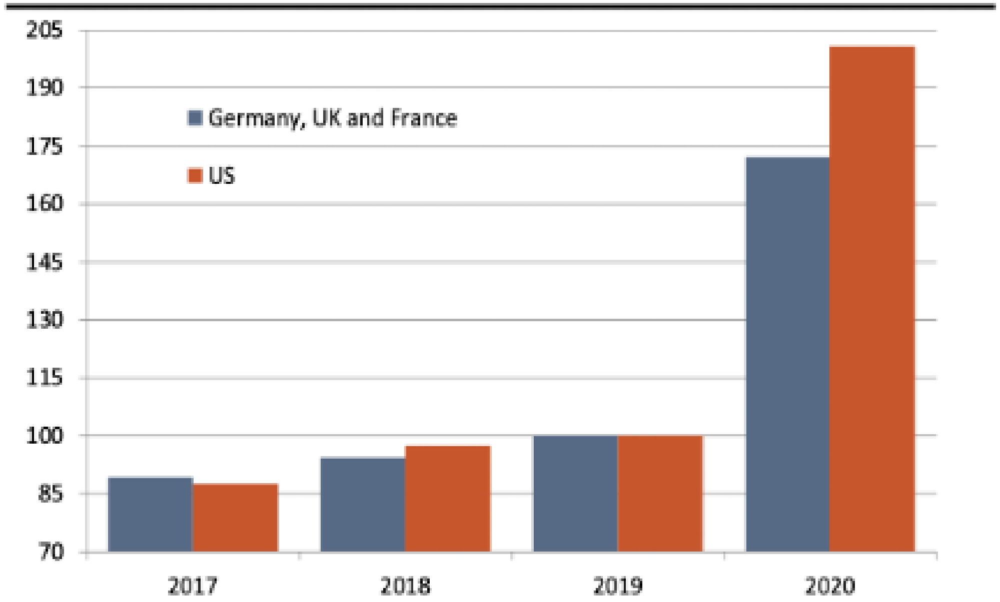
- **All this would indicate that in 3 months things will look very different**

We expect a sharp economic rebound

- **What can we expect afterwards? If history is any guide, a huge boom.** Not only will people want to "catch up" with all the things they had to forego during the pandemic, but personal savings are at the highest level ever recorded.

- Although an important part of the population has lost their job or business and is experiencing an extremely difficult time, **those with a secure income (most civil servants, knowledge workers, etc.) have not been able to spend it as usual.** They result is an enormous capacity for spending.

Aggregate household savings (Q1 to Q3 2019 = 100)



Quarterly data. US data based on nominal dollar household gross savings. European data based on nominal euro household gross savings. UK data converted to euros based on sterling/euro rate for each year. Source: BEA, Deutsche Bundesbank, ONS, BoE, INSEE, Berenberg calculations

But, beyond a cyclical rebound, there is a change of paradigm afoot

- *Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.* – John Maynard Keynes, The General Theory of Employment, Interest and Money (1936)
- After 60 years of "austerity", "trickle down economics", "Washington Consensus", populism has pushed for a different approach
- Permanent lack of demand / 1% capture of all economic growth / need for constant increase in debt
- US $1.9 trillion rescue package; EU €1.8 trillion rescue package
- Not for financial institutions (post 2008), but to people
- Growth instead of stagnation. Propensity to spend. We should expect a big change in demand and in demand composition. **Impact on commodities**
- Eventually, rates up, but there is plenty of slack

Presentation Plan

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A global coordinated recovery

Our base scenario remains unchanged: **we continue to expect a global coordinated recovery after a short but deep recession:** we left the cycle low (Q220) behind, which once again coincided with the markets' low. Four reasons:

1) The crisis's short duration and the support measures designed by most of the world's governments prevented structural damage to the economies. Unlike during the GFC2008, no large/urgent imbalances (housing, NPLs,…) needs solving

2) China is back to pre-Covid19 levels with expected GDP growth of 7% in 2021

3) Most economies will benefit from strong monetary and fiscal support, as well as strong public investment in **infrastructure/energy transition**

4) **Vaccines/medicines** roll out

Consequently, strongly in line with the consensus, **we believe that the world GDP will grow above potential in 2021 and 2022, possibly in a coordinated upswing.**

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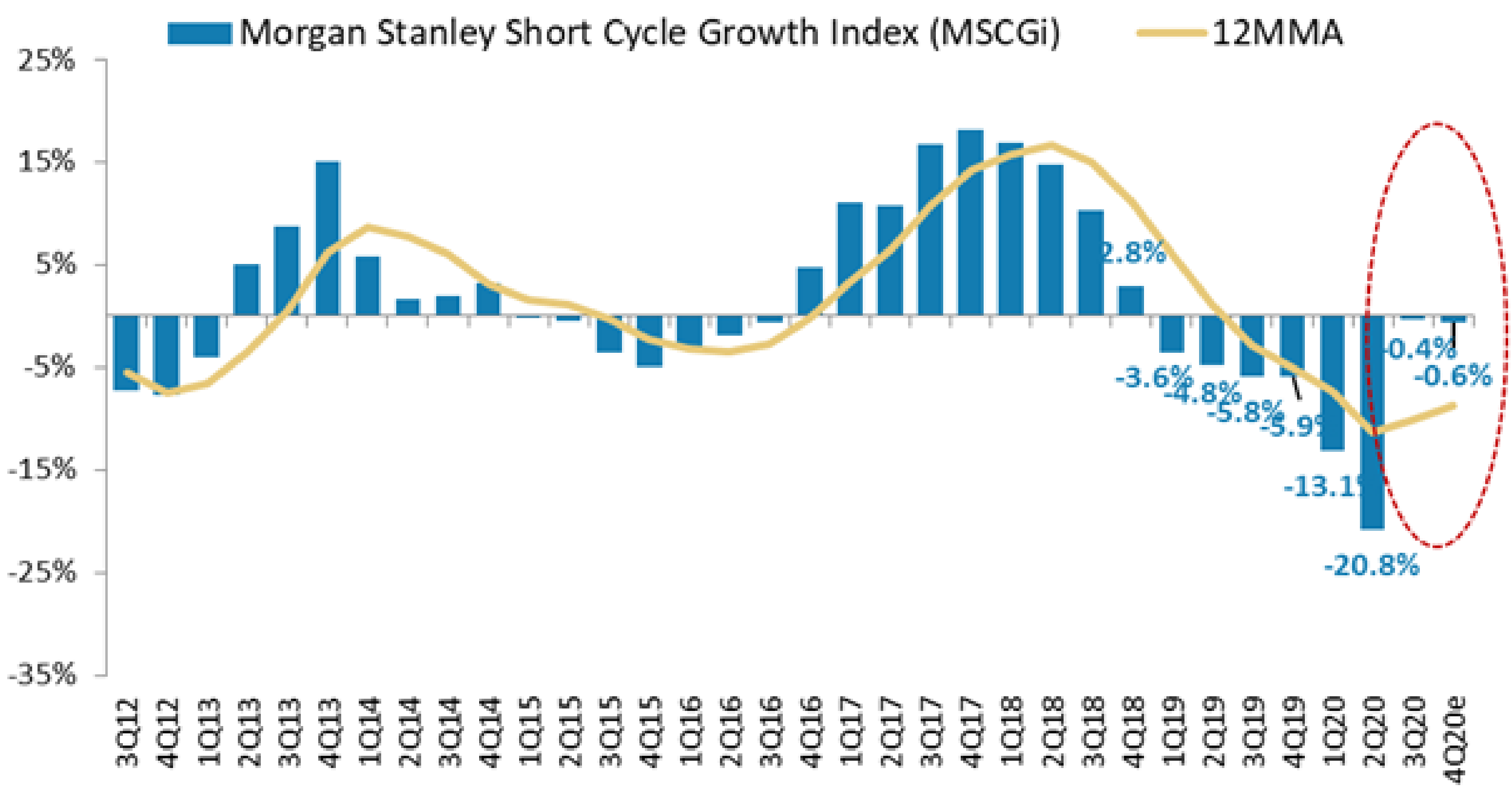
Bottom in Q220. 2 years of upcycle ahead



Source: Morgan Stanley

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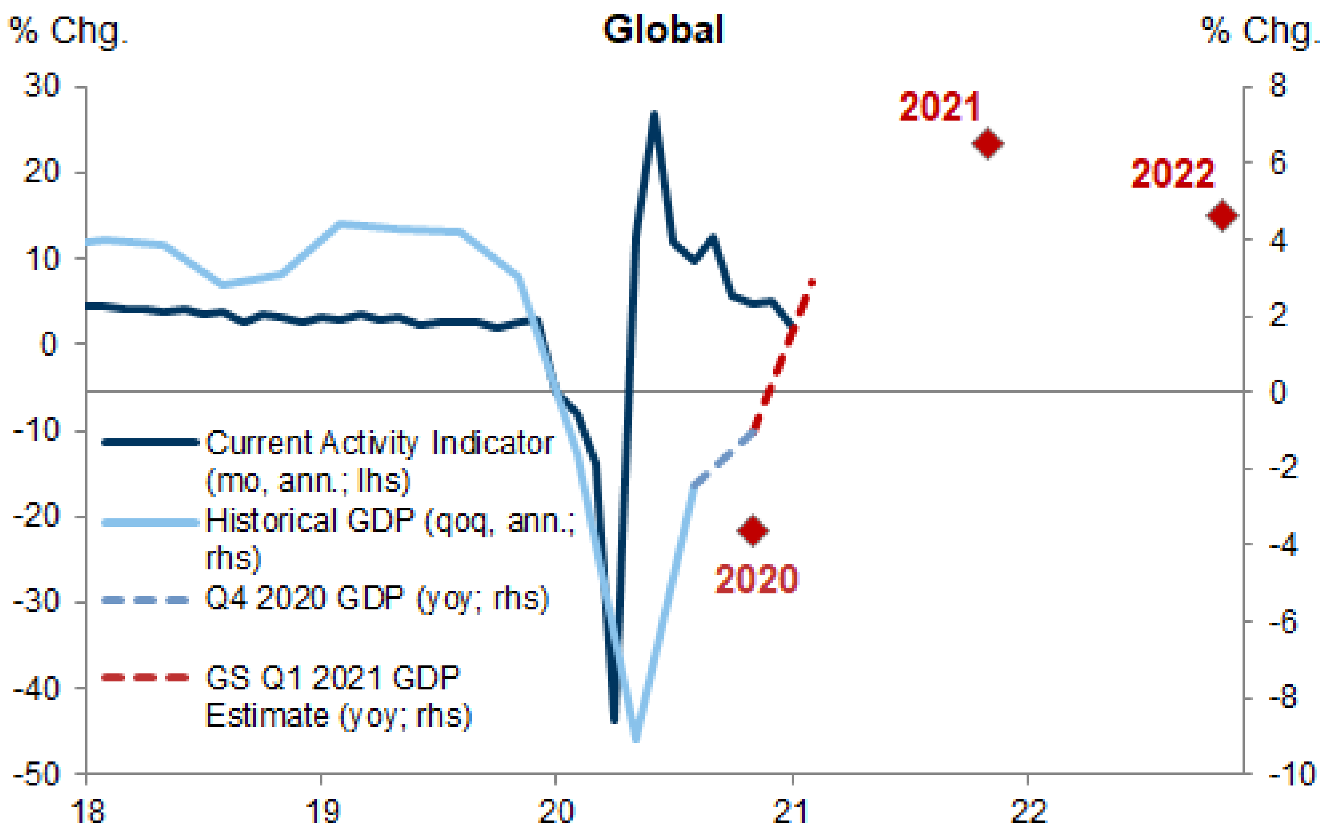
Strong Global GDP Growth 2021/22E



Source: Goldman Sachs

What risks do we see?

- We understand that a) the Covid-19 crisis is not the beginning of a new cycle, but an endogenous event of limited duration; b) we have 2-3 years of coordinated global growth ahead of us; and c) we expect higher inflation in the medium term

- Excluding black swans, we remain mainly concerned about 3 large risks:
  1. **Imbalances in China** (both social and economic),
  2. **Interest rates/bond yields/corporate debt** (at some point interest rates will normalize, although we do not see this in the short term), and
  3. Pockets of **bubbly valuations** (mainly technology, credit, and real estate), which should at some point also normalize.

- **Short term, we still are in a (post-pandemic) weak economic backdrop** so there still risks stemming from the Covid19 crisis: some economies (Spain), sectors (leisure) and corporates (SMEs) will need more time and support to recover.

- **Longer term, countries will have to deal with deficits and debt levels**

The Classic Fund: CP + DR

- Our base scenario of a **short-lived recession is materializing**, with markets and the Classic performing accordingly, hitting lows in March (EUR 250 p.s.) and recovering to pre-pandemic levels in Jan21 (EUR 425).

- We think we have complied with **the first investment premise: Capital Preservation (CP),** because the portfolio has quality, we made very few "permanent" mistakes, and we did not change any driver of the portfolio's future value creation.

- Now we must meet **the 2nd investment premise, a Decent Return (DR).** The Classic has achieved 8% per annum s.i. (2002), 11% p.a. since the start of the new economic cycle after the GFC (2008) and 7% over 5 years.

- Not that far from our target of 10% p.a. (after fees), and we believe the **Classic Fund is set to catch up** to this level in the next 2-3 years

- **We think that the Classic will continue recovering ground** through two endogenous factors that have weighed us down over the past 4-5 years: **value and commodities**

- Two of the Classic large exposures have partially paid off: salmon and copper, and our exposure there is now lower. **We are still waiting for another two: value and energy.**

- Following the year end review, **we set the 2021 target at EUR 475 per share** with a 15% return from current levels

- According to our DCF models, **the expected IRR of the Classic is currently 14%** and its **Intrinsic Value remains slightly above EUR 600 per share.**

Look-Through Profitability

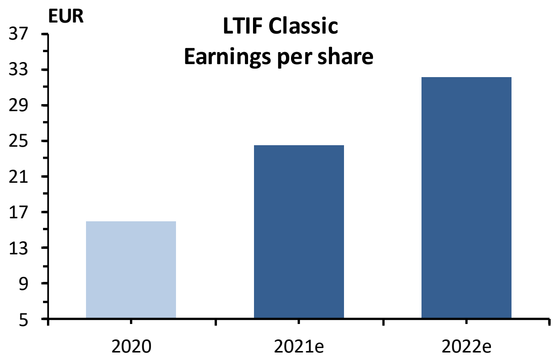
Reporting LTIF Classic as of 31.12.2020 (aggregated data in EUR)

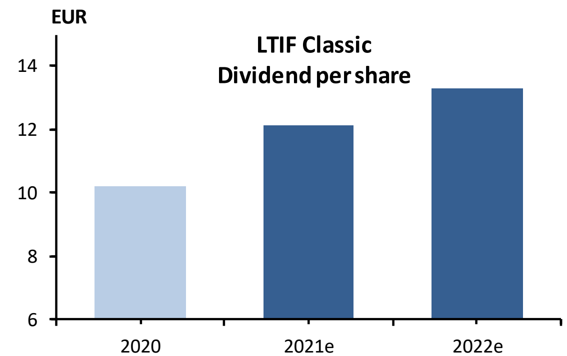
Date	NAV	%
31.12.2019	434.2	24.7%
31.12.2020	407.9	-6.1%

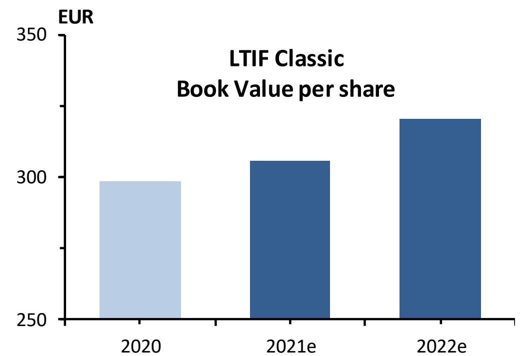
Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2020	16.0		25.5	7.2%	33.9	4.8%
2021e	24.5	53%	16.6	6.0%	18.5	5.4%
2022e	32.0	31%	12.7	7.8%	16.9	5.9%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2020	10.2		2.5%	1.8%
2021e	12.1	19%	3.0%	2.1%
2022e	13.3	10%	3.3%	2.1%

Year	BPS	%	P/B	MSCI World P/B
2020	298.2		1.4	3.0
2021e	305.6	2%	1.3	2.6
2022e	320.5	5%	1.3	2.0







Source: SIA Group / Bloomberg

The Classic during 2020

- 3 Classic sectors had a good 2020: mining/copper (+60%), technology (+53%), and discretionary consumption (+14%, thanks to Pandora). The worst sectors were Energy (-60%), Health/Pharma, Financials, and Salmon with -15%/-20%.

- **On the positive side, we highlight the following holdings:** MetsoOutotec (+65%), Prysmian (+37%), Pandora (+137%), ASML (+52%), Apple (+58%), Viscofan (+26%), all copper companies, with an average performance of +60%.

- **On the negative side we would highlight** Grieg Seafood (-40%), all the energy/oil companies with an average fall of 65%, ING (-28%), Grifols (-27%), ISS (-34%), Raytheon (-23%), Thales (-19%) and Devro (-14%).

- Given the strong bifurcation of performance in 2020, **we reduced the weight of mines and technology throughout the year and increased the weight of energy, financial, and salmon**. Buying cheaply is not the only factor, but it is important.

- **VALUE: 2/3 of the Classic**
  1. **Diversified value:** 45% of the portfolio (Devro, Thales, ISS, Heidelberg Cement…)
  2. **Commodities,** where we still have 20% (14% oil with E&Ps such as Hess, PMO or Suncor, and 6% in copper names such as FM or Anto)

  We believe that after years of massive underperformance, these two factors have begun a new upward cycle

- **GARP 1/3 of the Classic**

  Quality and/or growth stocks at a reasonable price, which we call compounders (MTU, Unilever, Sodexo, VISA, Grifols…) with robust businesses and double-digit IRRs.

- Historically, the **salmon sector** was a Classic Fund heavyweight, but we sold a large part of our positions in 2019. Prices are falling

- By **risk categories**, 50% of the Classic is in Cat.1-2 (low risk), and 46% in Cat.3, more cyclical/riskier. We only have 1 company left in Cat4 (Hudbay)

Strategic Value: this is what we own

- **Devro:** leading company in the sausage casing market: sound market share, oligopolistic, solid growth/ returns (12-13% ROIC normalized) @ PER 9x 2022

- **Thales:** leading European defense, space and ID technology company with mid single digit growth and sound returns (10%+ ROIC normalized) @ PER 11x 2022

- **ISS:** worldwide leader in cleaning, FM and catering with 500,000 people on the payroll. Low to mid single digit growth, resilient model/margins, and high cashflow (10% FCF yield in 2022) @ PER 12x 2022

- **Heidelberg Cement:** One of the largest cement groups in the world. New CEO changed losing strategy and 14% FCF yield ahead of a potential massive infrastructure program in the US/EU/China @ PER 8x 2022

- **Prysmian:** One of the leading cable companies with huge tailwinds due the energy transition (cables for electricity). Years of growth ahead and solid returns (mean ROIC 9-10% but 15-20% in good markets) @ PER 15x 2022

Strategic Value: this is how we feel

- **By geographies, equities are fairly valued.** The SPX is trading at a PE21 of 23x (historical 19x), Nasdaq at a PE of 30x (historical average 25x), Europe at a PE of 18x (hist. 19x), and EM have rebounded and are trading in line with historical averages.

- **By broad sectors, the reading is less homogeneous:** the expensive sectors are Technology (PE21 of 30x versus a historical average of 25x) and Industrials (PER 26x versus 20x), while the cheap sectors are Banks-Insurance and Energy.

- Following the stock market recovery in 2020, and compared to 2021 forecasts, **valuations are at demanding levels as equities are anticipating an upward cycle** possibly looking at a normalized 2022.

- Main caveat: **returns on equity (RoE) for 2022 are expected to be much, much higher than the historical average**.

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But there are huge differences

MXWO IT Sector	433	2020	2021	2022
Price to Book			**7,9**	**7,2**
BPS		49	55	60
Historical Median	**3,6**	**178**	**200**	**218**
Historical high	10	490	550	600
Historiacal low	2,3	113	127	138
Return on Equity		22,4%	26,5%	27,5%

MXWO Energy Sector	138	2020	2021	2022
Price to Book			**1,3**	**1,2**
BPS		108	109	111
Historical Median	**2,0**	**216**	**218**	**222**
Historical high	3,0	324	327	333
Historiacal low	1,0	108	109	111
Return on Equity		-5,6%	5,7%	9,0%

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The Natural Resources Fund is also back to pre-Covid 19 levels

- The N.R. Fund had a volatile 2020. Started at EUR 100 per share, fell to EUR 50 in March, and it is back at EUR 95 p.s. now. **We are almost back to pre-Covid-19 levels and happy to have met the first investment premise (CP).**

- **According to our estimates, the fund has an intrinsic value (IV) of EUR 150 per share and an IRR at current prices of 15-16%. U**pside is much higher on peak earnings

- **Regarding 2020's performance (-17% in the year):** mining, especially copper, was the bright side of the fund, up 35% in local currency (26% in euros), while energy / oil, down 37% in the year, was a disaster.

- Consequently, we have been gradually increasing the weight of oil, and adding a few new companies. **At the end of 2020, energy/oil is 42% of the fund, mining 38%, and 20% is invested in agri-food and infrastructures.**

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Look-Through Profitability

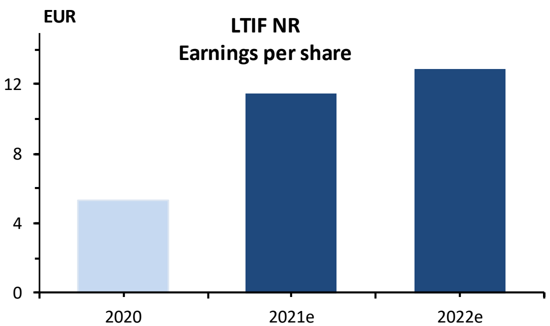
Reporting LTIF NR as of 31.12.2020 (aggregated data in EUR)

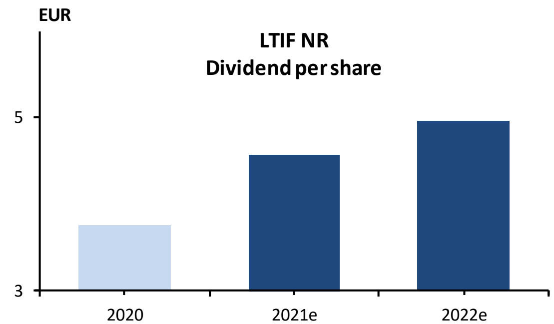
Date	NAV	%
31.12.2019	105.7	12.9%
31.12.2020	87.1	-17.6%

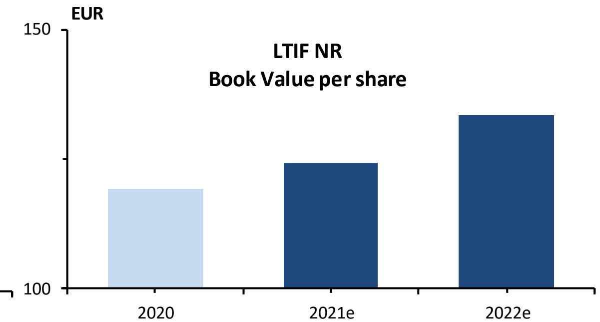
Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2020	5.3		16.5	7.2%	23.5	4.8%
2021e	11.4	116%	7.6	13.1%	12.8	7.8%
2022e	12.9	13%	6.7	14.8%	7.4	13.5%

Year	DPS	%	Div. Yield	S&P NR Div. Yield
2020	3.8		4.3%	3.6%
2021e	4.6	21%	5.2%	4.1%
2022e	5.0	8%	5.7%	4.0%

Year	BPS	%	P/B	S&P NR P/B
2020	119.3		0.7	1.6
2021e	124.4	4%	0.7	1.4
2022e	133.4	7%	0.7	1.3







Source: SIA Group / Bloomberg

Commodities have started a new upward cycle

- At SIA, we have often discussed certain **commodities' upcoming supply issues**. Part of it is structural (decade of underinvestment), part is cyclical (supply issues due to Covid19), and part is due to the growth in demand (aid policies and green energy).

- **The result became already clear throughout 2020 when supply issues have impacted several commodities,** leading to a sharp rise in prices.

- When, in Q220, we updated our estimates to reflect a faster than expected economic recovery in China, **we realized that copper was moving to a deficit in H220. Cu is centric to the energy transition and demand will accelerate**

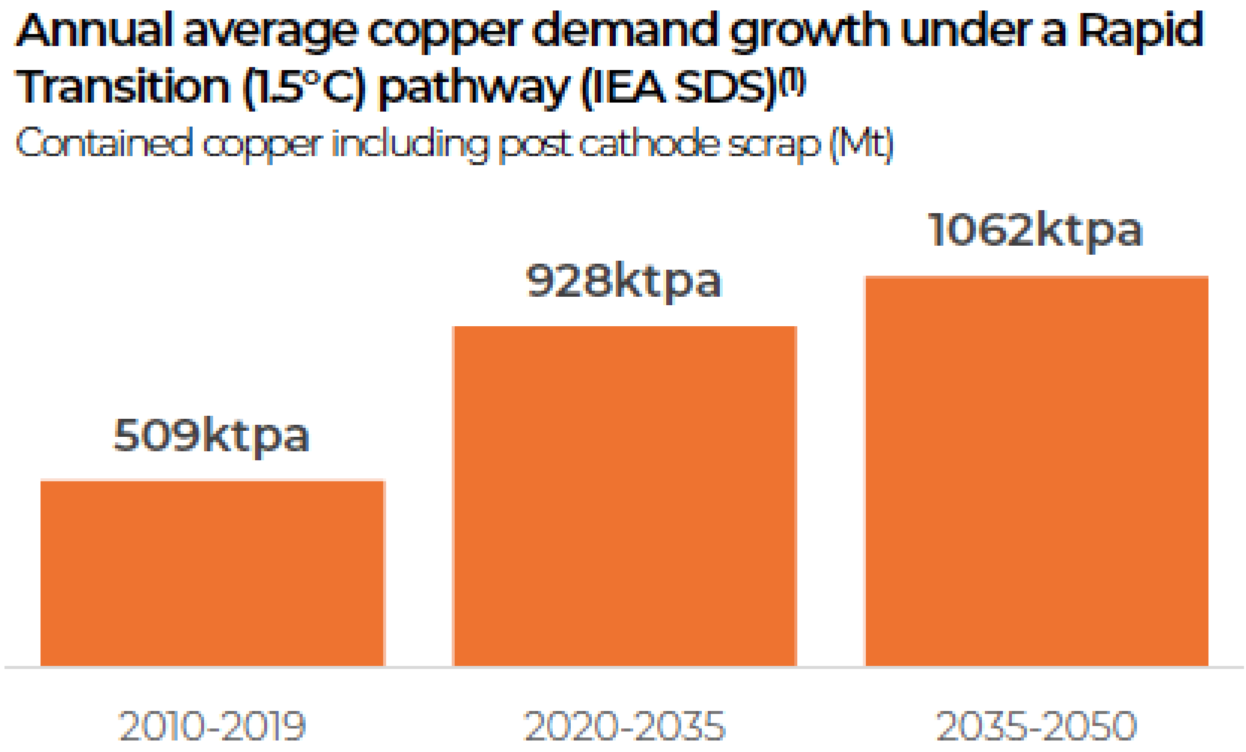
- Covid-19 is still slowing down a large part of the world economy and thus demand remains moderate globally, except for China/Asia. **What's going to happen if the whole world will be back to growth?**

Cu Zn x2, Ni x3, Co x4 in 30 years under the IEA scenario

Forecast annual average commodity demand growth[2]
Under a Rapid Transition pathway (IEA SDS) 1.5°C pathway

	2010-2019	2020-2050F	2019	2050F
Cu	0.5Mtpa	1.0Mtpa	29.6Mt	60.1Mt
Ni	111ktpa	225ktpa	2.5Mt	9.2Mt
Co	7ktpa	13ktpa	129kt	507kt
Zn	262ktpa	523ktpa	13.9Mt	28.8Mt

Copper demand growth to double



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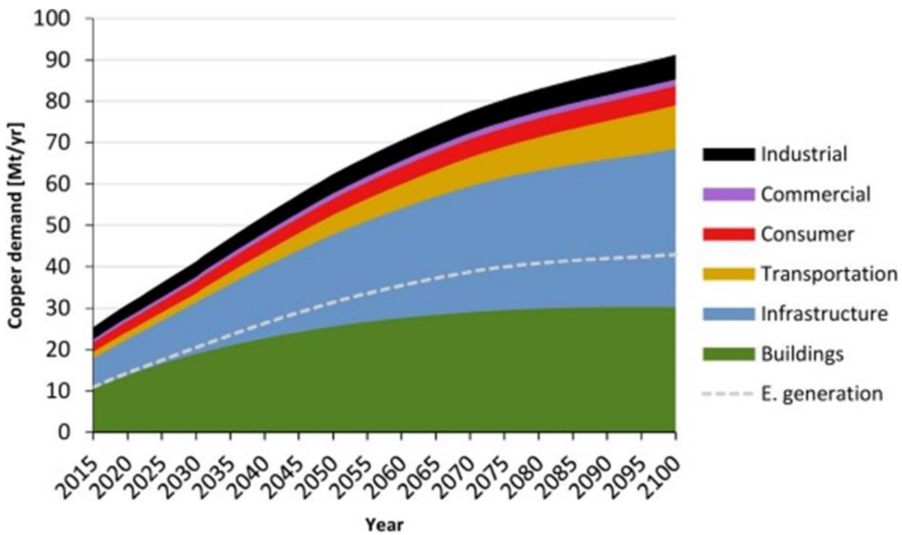
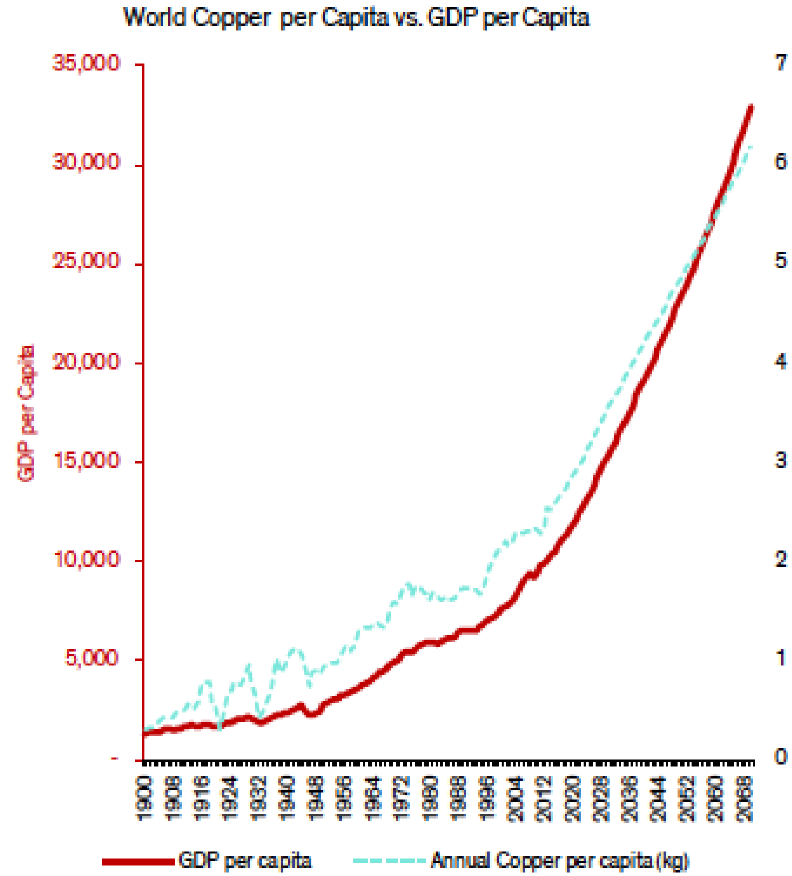
Copper: from 20m tn. (2020) to 40m tn. (2050)





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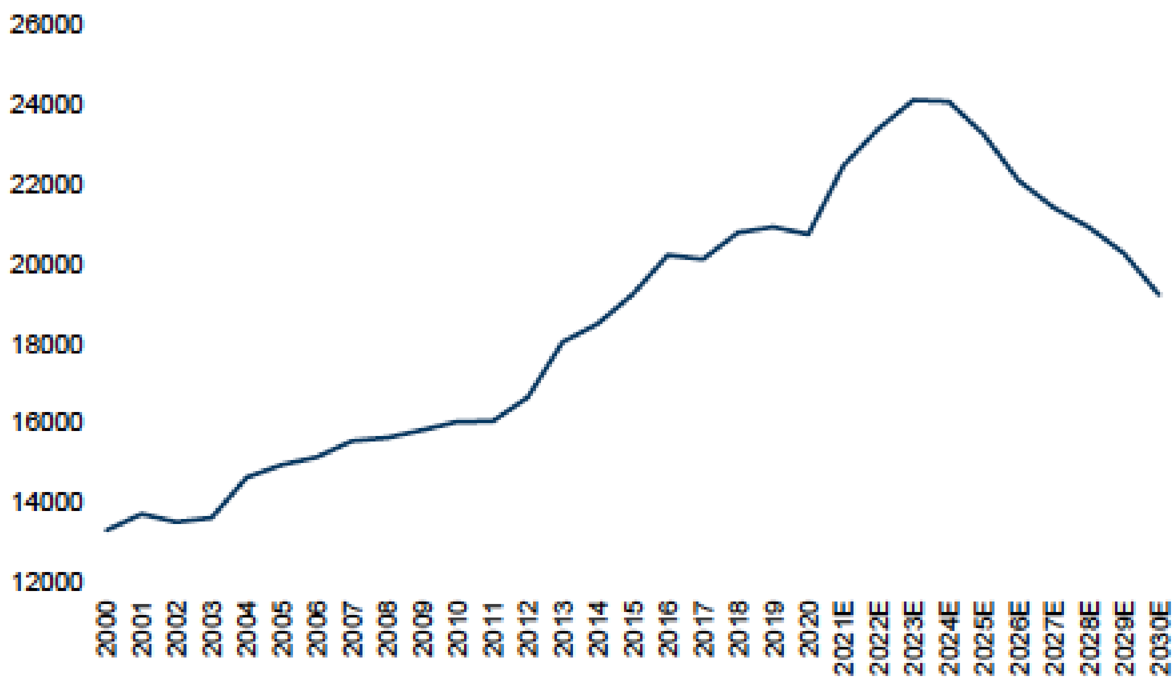
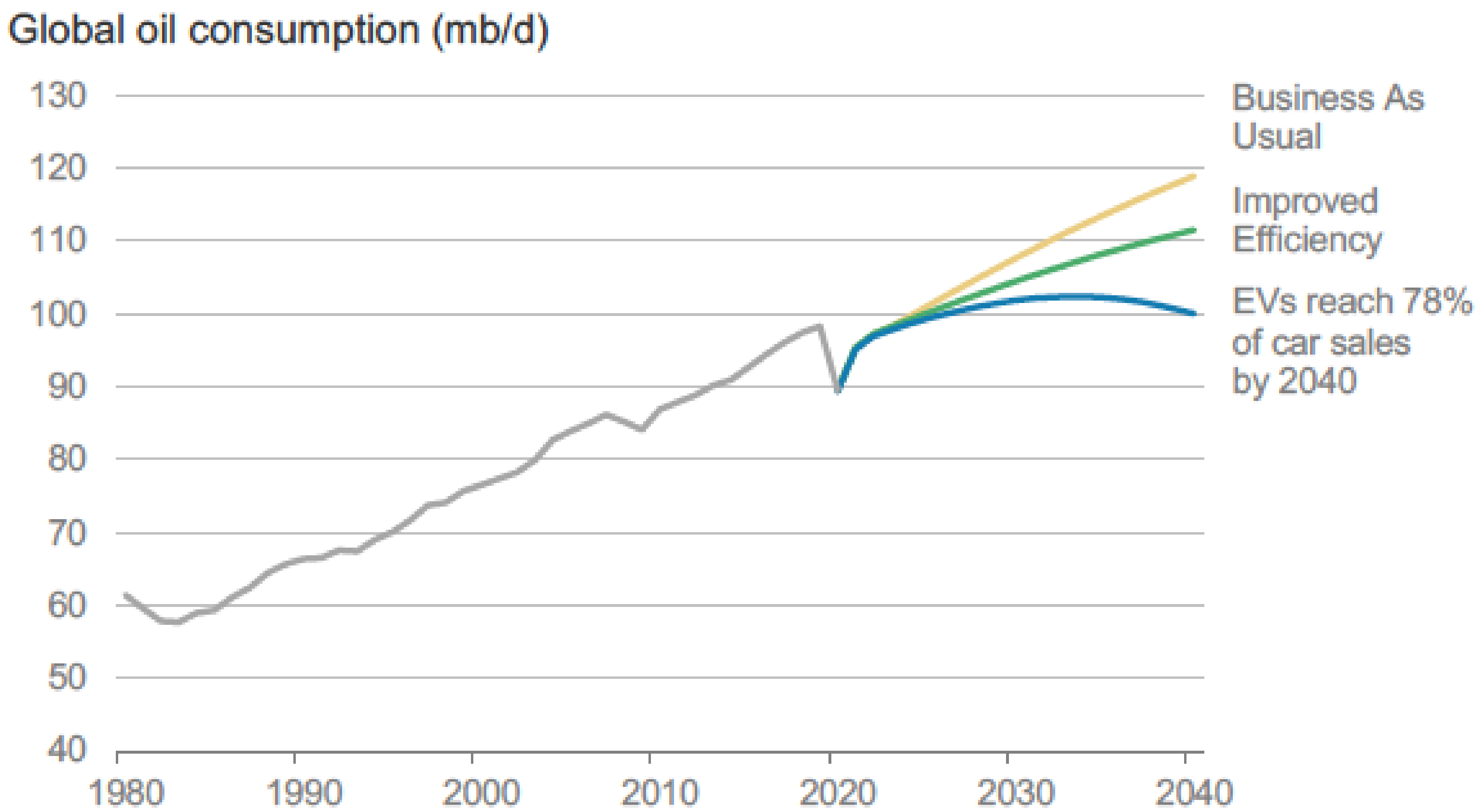
But Greta (with all due respect), where is the Cu supply?

Global copper base case mine supply, kt



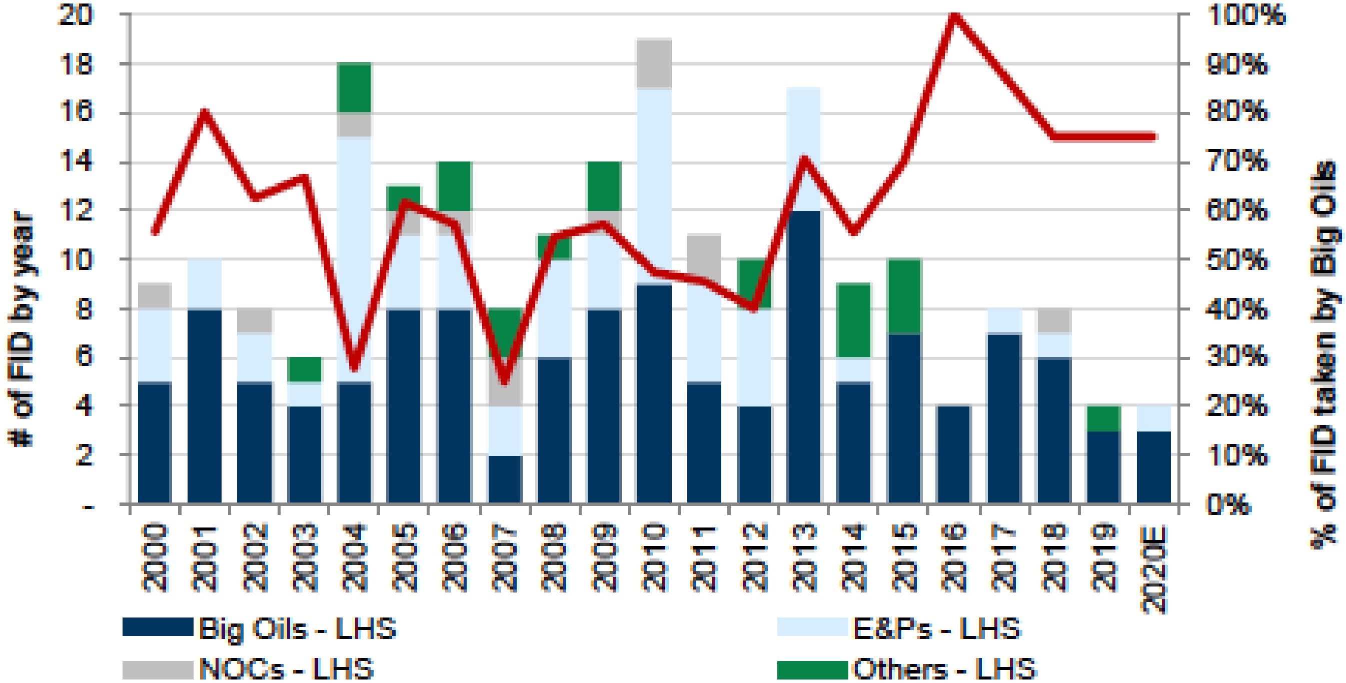
Source: Woodmac, Goldman Sachs Investment Research

Oil demand scenarios: 100-120m b/d in 20Y



Source: BP, IEA, World Bank, OECD, Morgan Stanley Research

Oil: Underinvesting since 2014: supply Crunch?



Source: Company data, Goldman Sachs Global Investment Research.

Oil inventories will be back to normal in Q321

Source: EIA, IEA, Rystad, Morgan Stanley Research estimates (e)

Oil: no space capacity by 2022E

Oil in million b/d				
December	**2020**	**2021**	**2022**	**Growth 22/20**
Demand	95	101	103	8
Supply	93			
OPEC Spare Capacity	8			

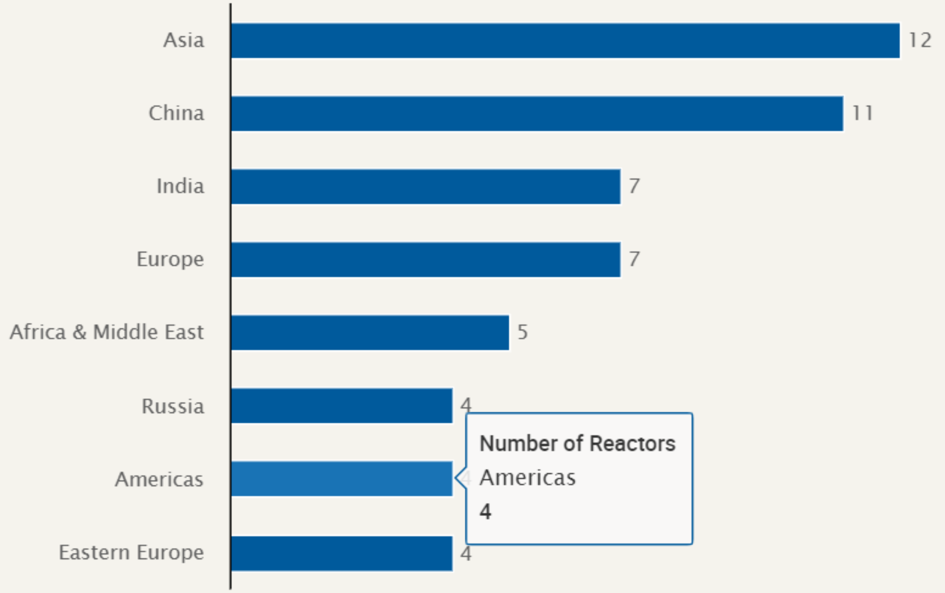
Source: SIA estimates

- Most of the spare capacity will be consumed by 2022
- Shale oil could add 2-3m more
- What else?
- We need Incentive prices (70-80 and stability) to raise CAPEX

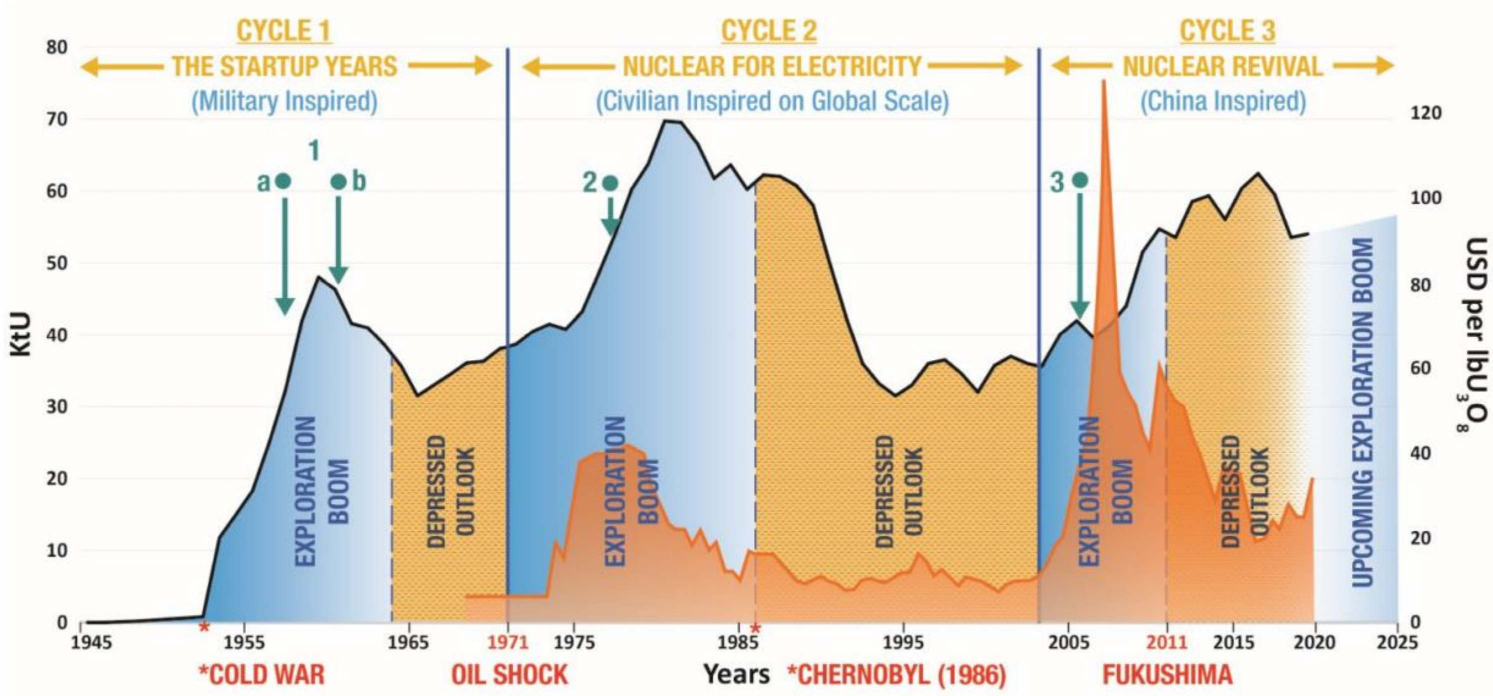
Demand gap filled

The demand gap left by forced and premature nuclear reactor shutdowns since March of 2011 has been filled. According to the International Atomic Energy Agency there are currently 440 reactors operating globally and 54 reactors under construction. This growth is largely occurring in Asia and the Middle East.

Currently Under Construction



Major Nuclear Cycles 1945 to 2020 – *with strong outlook*

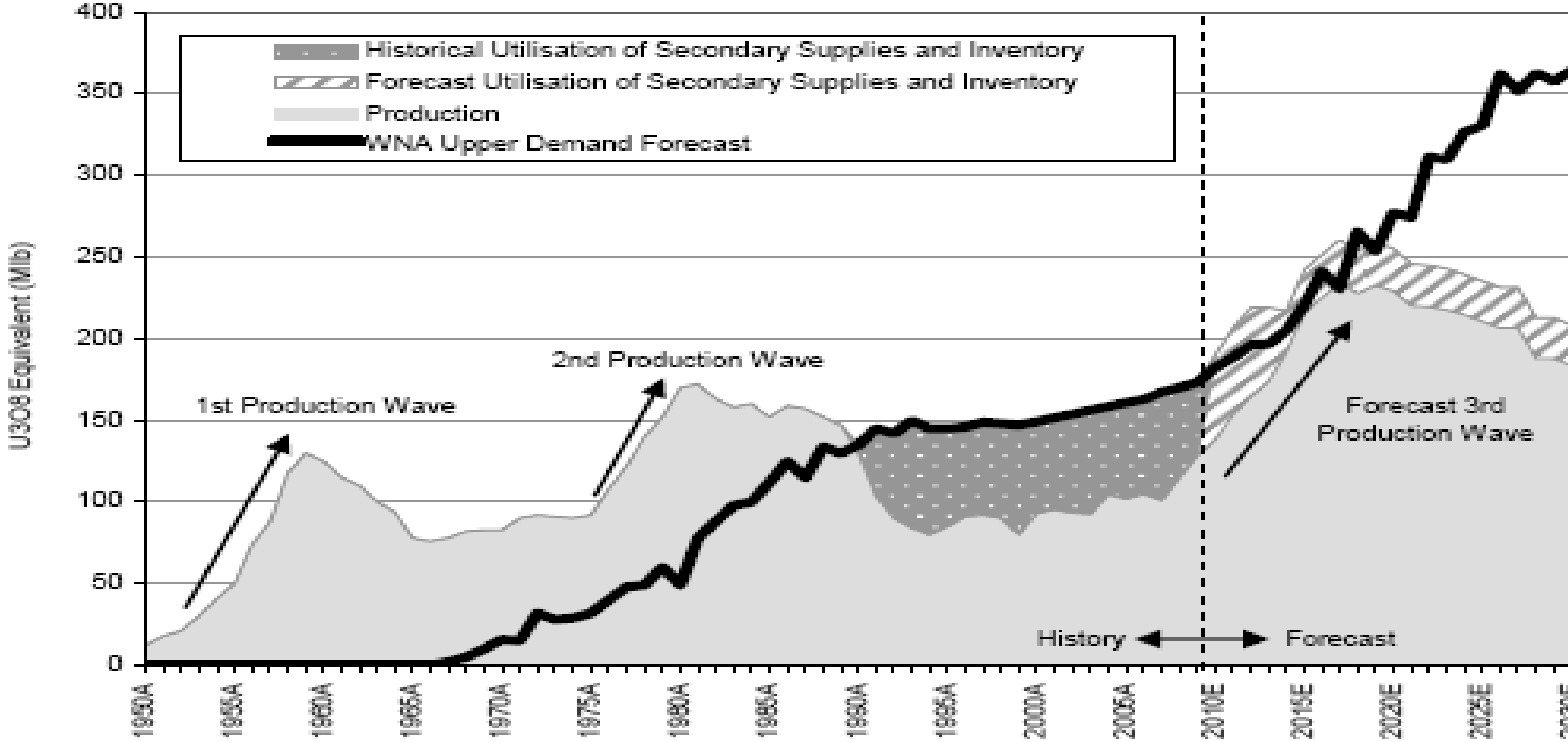


The only Juniors that went into production in 75 years outside US

(1)a Denison Mines (Canada) (2) Queensland Mines (Australia) (3) Paladin (Africa)

b United Uranium (Australia)

Megaton to megawatt. US (West) runs on Soviet warheads

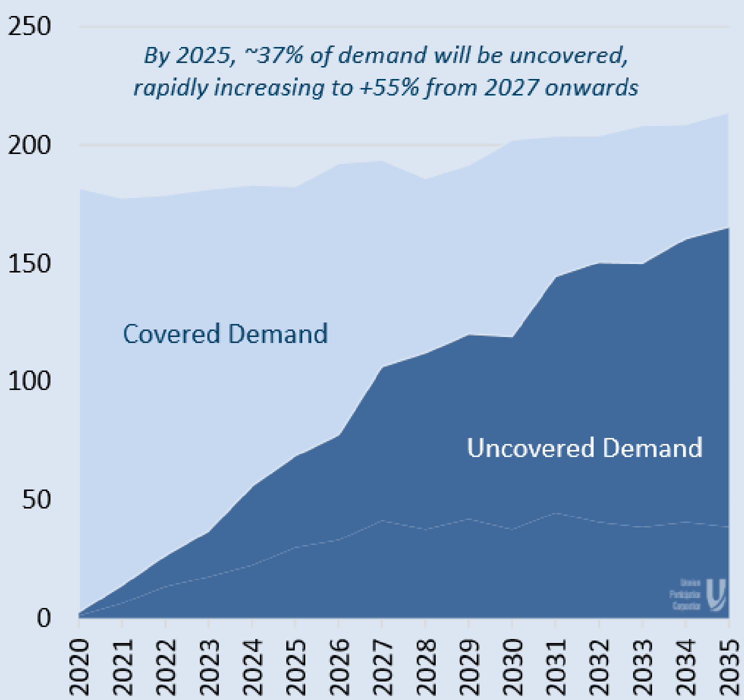


Source: BMO Capital Markets, WNA, UxC

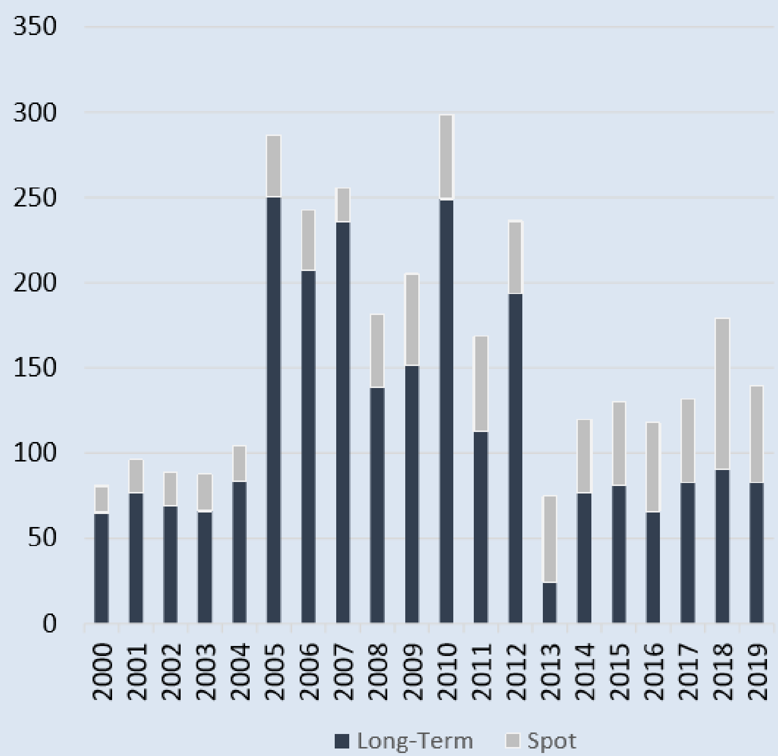
These pounds will not exist at these prices

Long-term Contract Coverage
+1.5B lbs U_3O_8 remain Uncovered Between 2020 to 2035

Utility Uranium Requirements
(million pounds U_3O_8 - per UxC Q2'20)

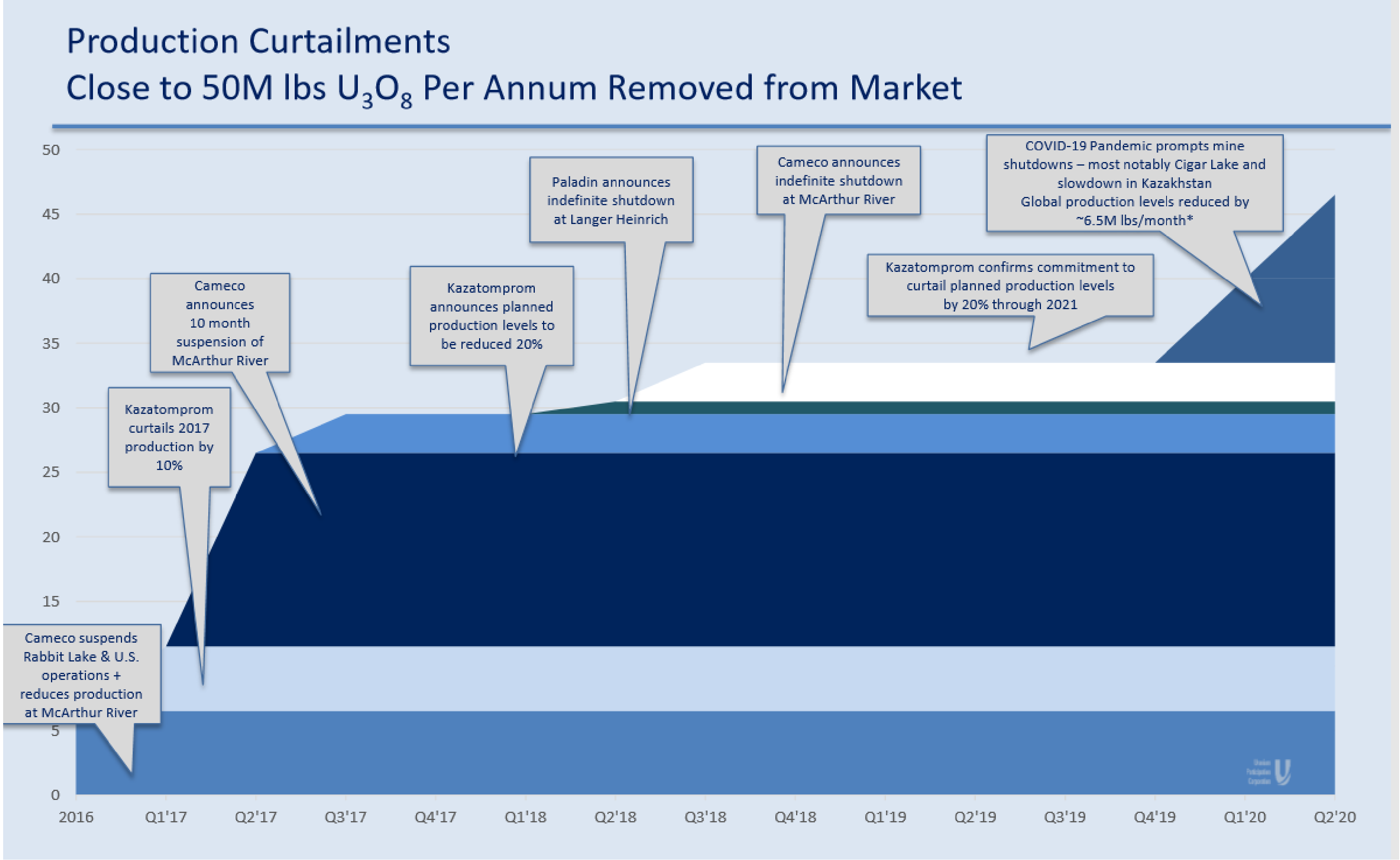


Contract Volumes – Low in Recent Years
(million pounds U_3O_8 - per UxC Q2'20)

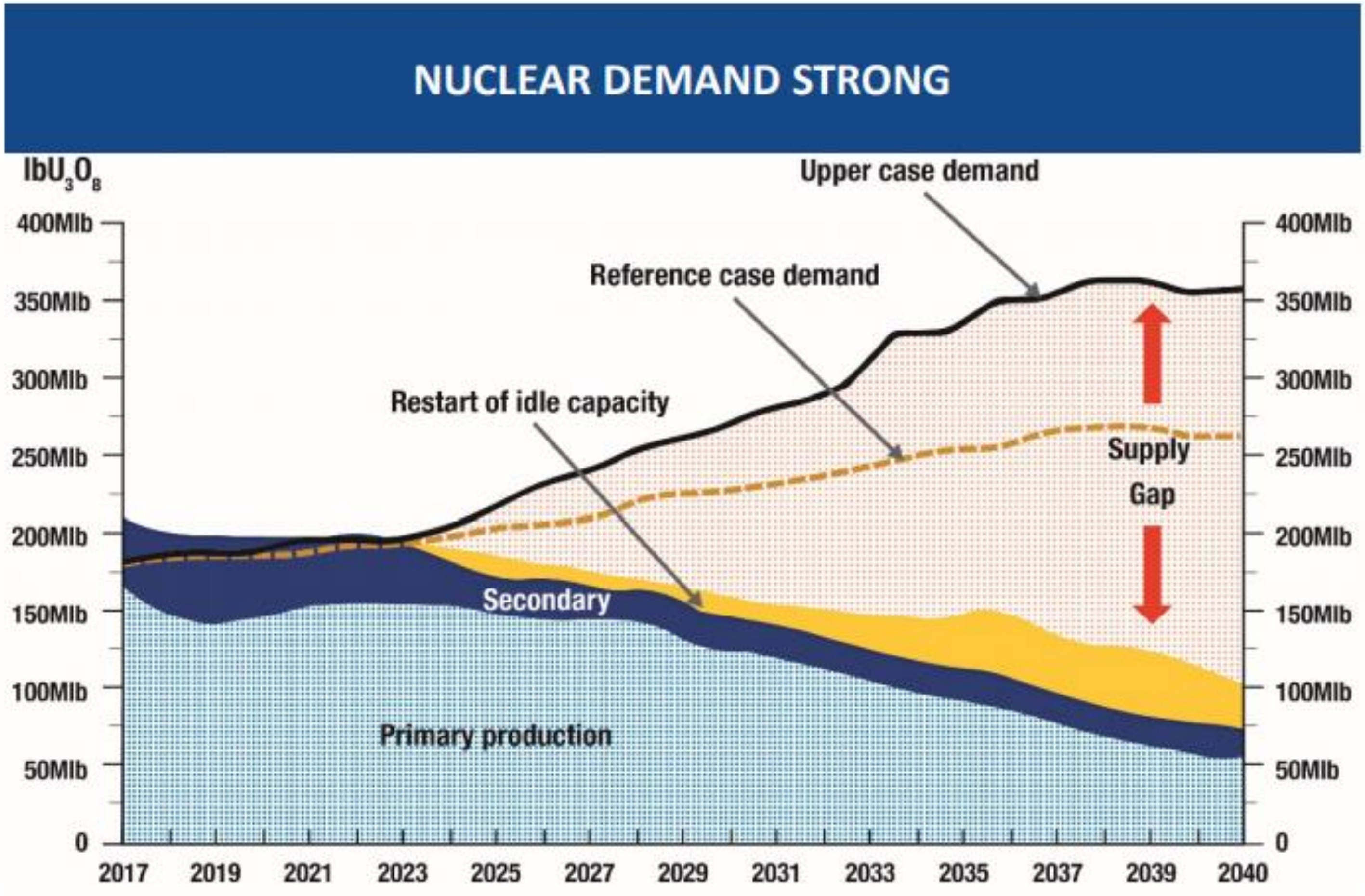


Source: UxC Uranium Market Outlook Q2 2020

When producers become spot buyers



Supply will become an issue...



Source: WNA Sept 2019

A final «tiny» example: silver

- We can take a "tiny market" metal, like silver, as an example.

- Since it is vital for solar panels, an additional 400,000 tones will be required by 2050.

- But the **annual production is 27,000 tons and declining due to a decade of underinvestment** (silver is mainly produced as a by-product of large copper/gold, lead/zinc mines).

- Moreover, **the demand for other applications, such as electronic devices, is increasing,** and thus slowly but surely, a large imbalance between supply and demand is expected to arise.

Presentation Plan

- What changes with Covid19, short- and long-term / J. Carlos Jarillo
- Value & commodities will drive the Classic Fund / Marcos Hernandez
- Natural Resources started a new upcycle / Marcos Hernandez - Urs Marti
- **Conclusion and Q&A / Alex Rauchenstein**

Key message: The worst is behind us: we will be back to normal by the end of 2021.

Time for value and commodities.

![LTIF Long Term Investment Fund]

Look-Through Profitability

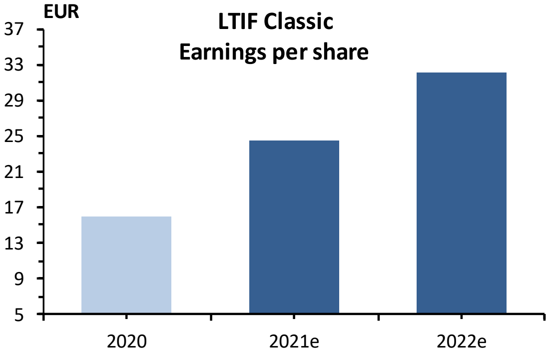
Reporting LTIF Classic as of 31.12.2020 (aggregated data in EUR)

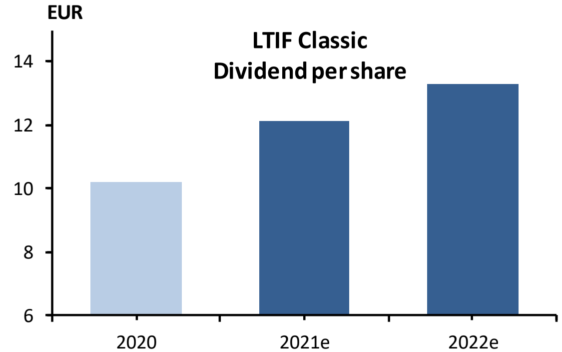
Date	NAV	%
31.12.2019	434.2	24.7%
31.12.2020	407.9	-6.1%

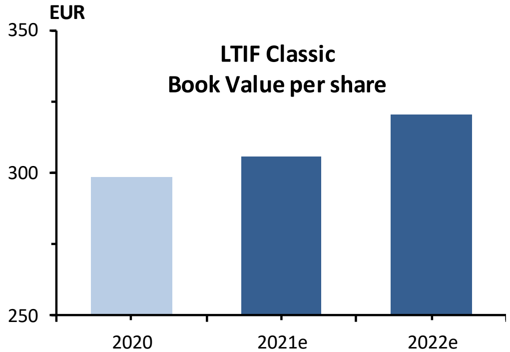
Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2020	16.0		25.5	7.2%	33.9	4.8%
2021e	24.5	53%	16.6	6.0%	18.5	5.4%
2022e	32.0	31%	12.7	7.8%	16.9	5.9%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2020	10.2		2.5%	1.8%
2021e	12.1	19%	3.0%	2.1%
2022e	13.3	10%	3.3%	2.1%

Year	BPS	%	P/B	MSCI World P/B
2020	298.2		1.4	3.0
2021e	305.6	2%	1.3	2.6
2022e	320.5	5%	1.3	2.0







Source: SIA Group / Bloomberg

LTIF
Long Term Investment Fund

Look-Through Profitability

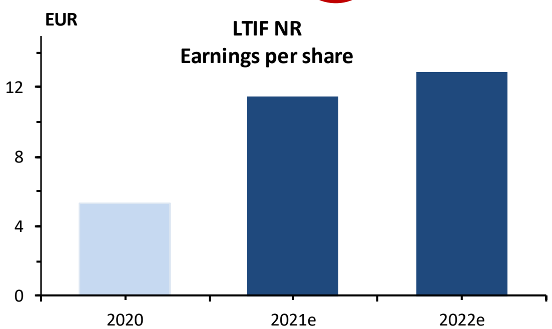
Reporting LTIF NR as of 31.12.2020 (aggregated data in EUR)

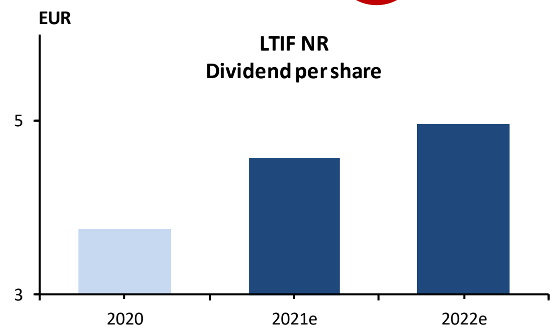
Date	NAV	%
31.12.2019	105.7	12.9%
31.12.2020	87.1	-17.6%

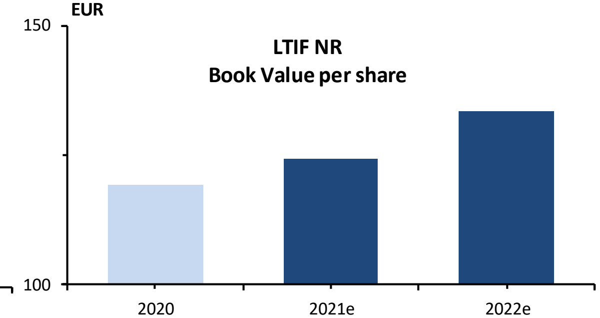
Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2020	5.3		16.5	7.2%	23.5	4.8%
2021e	11.4	116%	7.6	13.1%	12.8	7.8%
2022e	12.9	13%	6.7	14.8%	7.4	13.5%

Year	DPS	%	Div. Yield	S&P NR Div. Yield
2020	3.8		4.3%	3.6%
2021e	4.6	21%	5.2%	4.1%
2022e	5.0	8%	5.7%	4.0%

Year	BPS	%	P/B	S&P NR P/B
2020	119.3		0.7	1.6
2021e	124.4	4%	0.7	1.4
2022e	133.4	7%	0.7	1.3







Source: SIA Group / Bloomberg


25 Years Difference


40 Years Difference


40 Years Difference

LTIF (SIA) Classic, Stability A Cap, SRI and Natural Resources

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