LTIF
Long Term Investment Fund

SIA Quarterly Update

September 2023

Presentation Plan

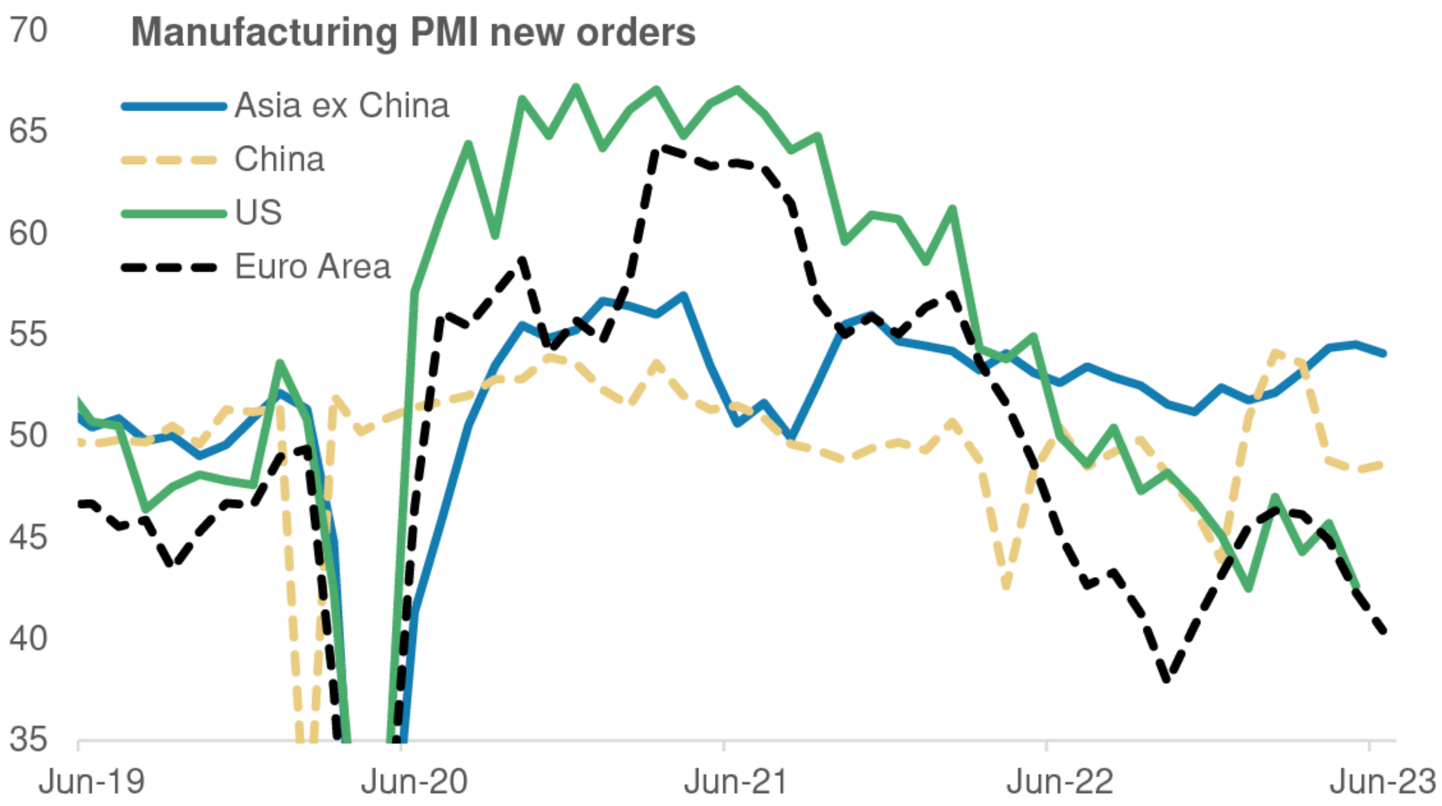
- **Recession? Nobody Knows**
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +10% ytd. On track & ready
- Quarterly investment case: Leroy Seafood
- The LTIF NR: +15% ytd. Fighting the recession fear
- Natural Resources Thoughts *by Urs Marti*
- Final Remarks

Slowdown and may be recession, who knows

- **The US and Europe continue to slow their growth** and will flirt with a mild recession by Q4. China is seeding an economic recovery
- **4 out of 5 indicators delta negative:** (-) PMIs (-) rates up in the US / Europe (-) downward earnings revisions (-) global liquidity. Only China (+) is in positive delta
- **A very normal end to the up-cycle**: no major structural unbalances, no systemic bubbles… excluding the impact of rising rates in fixed income (SVB) and structural challenges in a Chinese economy in transition.
- **The more recessionary theses have been proved wrong due the strength of the services sector** on 1) the base effect of COVID19 2) household savings and 3) fiscal impulse. Thus, the labor market remains surprisingly strong

" A depressed stock market is likely to present us with significant advantages "
Buffett & Munger

Weak Manufacturing Orders

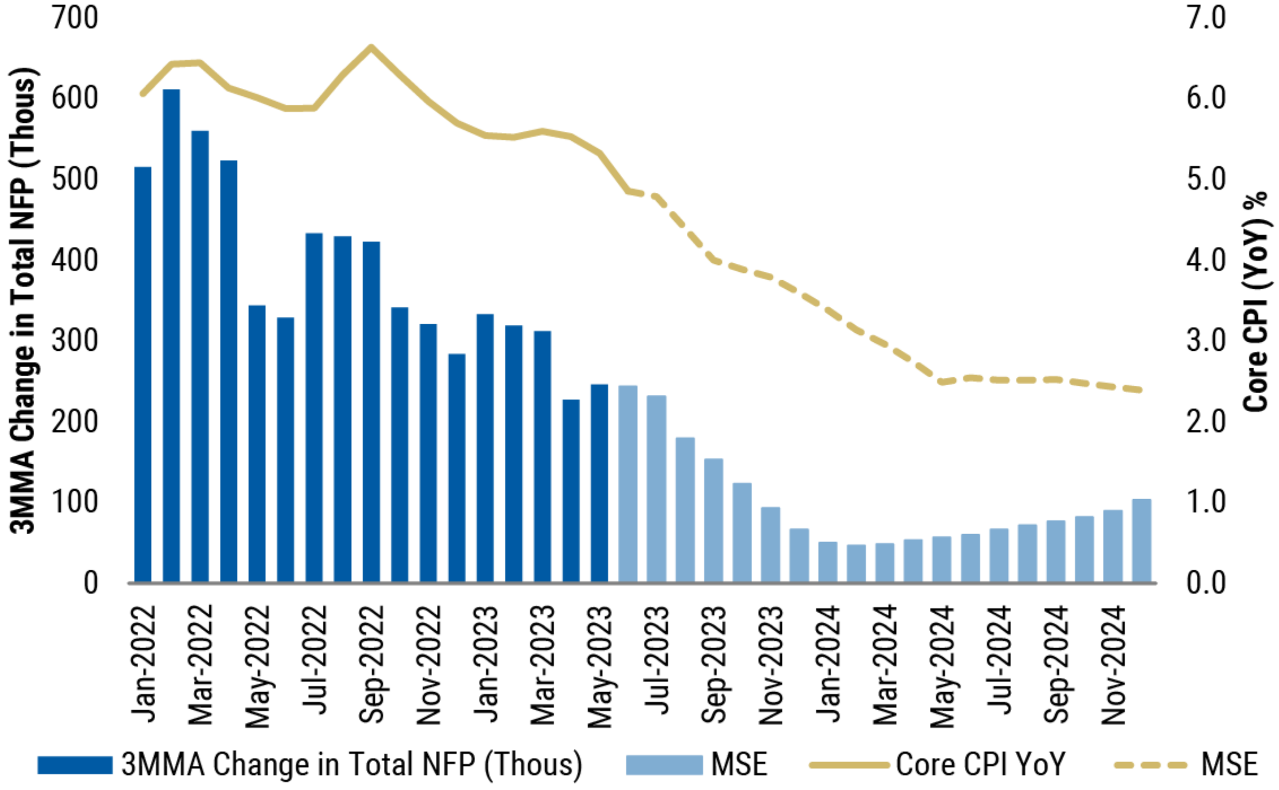


- Manufacturing orders are down in the US and Europe
- Downturn started mid-2022
- China still hovering around 50, showing a weak recovery
- Asia ex-China doing better

We believe we will see the trough around Q423 or Q124

Inflation Coming Down

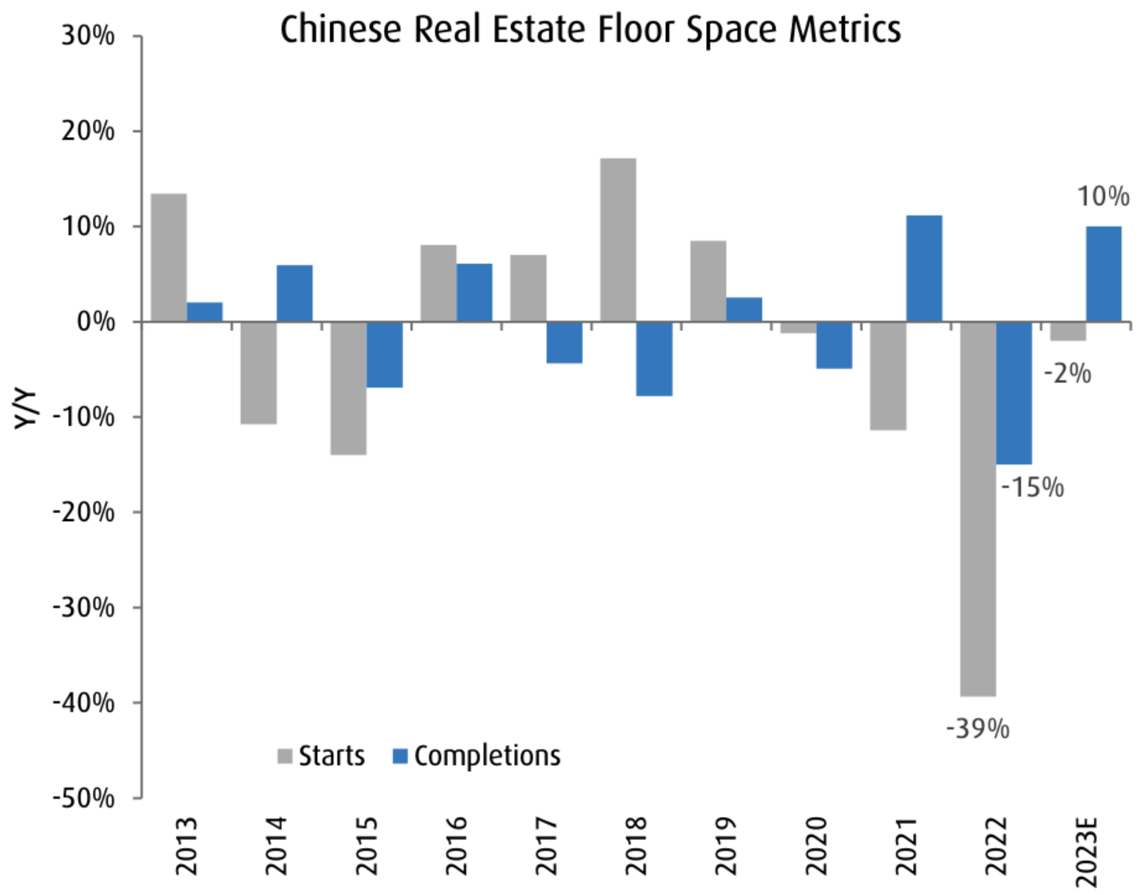
US Non-Farm Payrolls & inflation



- Despite many predictions, inflation is normalising
- There is a lag between interest rates and real economy: we will see lower inflation
- We see structural issues in labour, food and energy

Inflation will normalize at higher levels than the previous cycle

China: a slow recovery



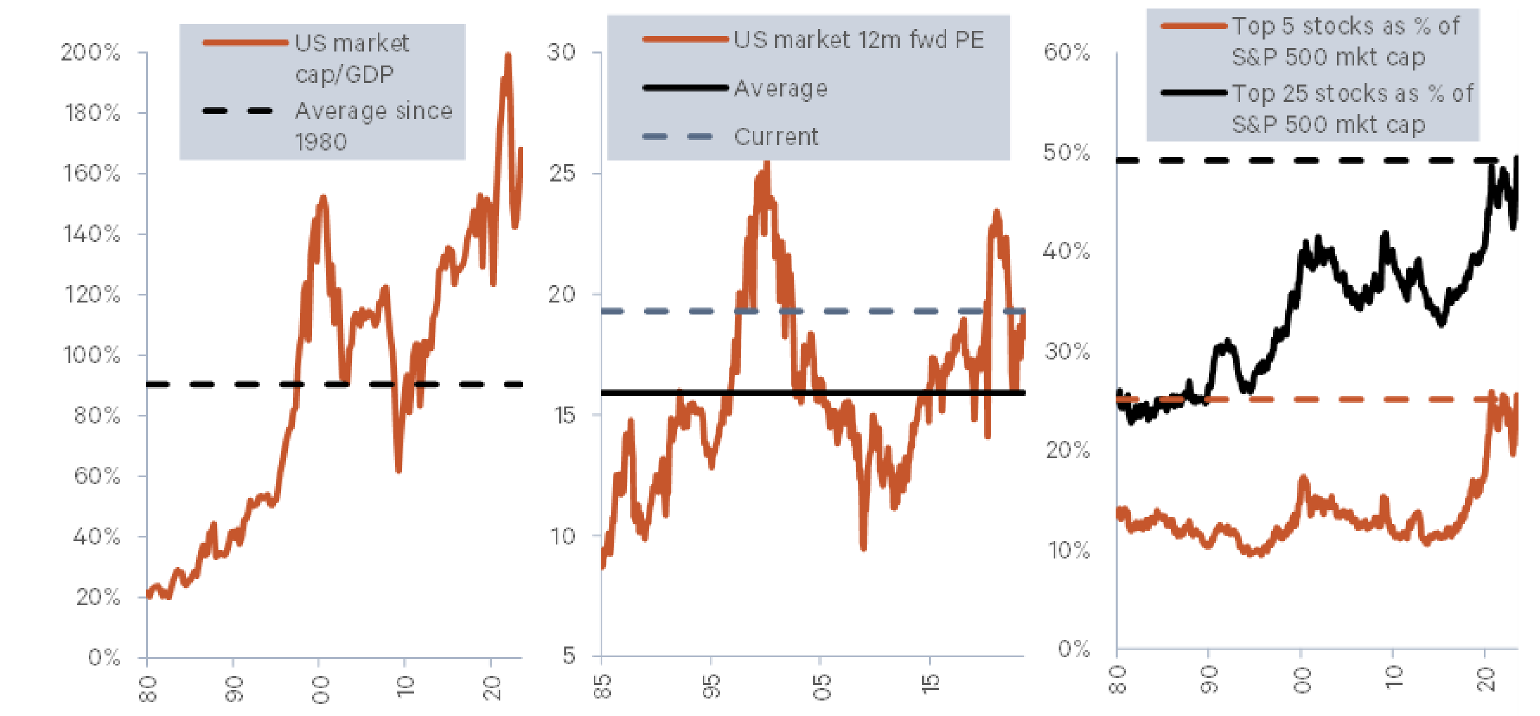
Source: NBS, BMO Capital Markets

- The Chinese economic recovery is taking longer
- The property sector remains under pressure
- Property is somewhat dragging consumption
- Los of measures are being implemented to seed the next upturn

China is accelerating. 5-6% GDP growth expected for 2023

The SPX performance (+16%) is misleading

Chart 1: US market cap to GDP ratio, US 12-month forward P/E and the largest 5 and 25 stocks in the S&P 500 as a proportion of total S&P 500 market cap



Source: Berenberg research, St. Louis Federal Reserve, Eikon

- The tech sector is back to highs led by the FAANGS, with huge weight in indices
- Biggest 5 stocks account for 25% of the SPX mkt. capitalisation
- The size of these names prevent future double-digit growth
- We think this is a technical rebound which follows the AI narrative

The end of the post-GFC cycle

- 4 out of 5 **leading indicators still negative**: inflation/rates, PMIs, earnings and liquidity. China has turned positive (slow)
- The **slowdown is not over**: trough in Q423 or Q124
- We do not really care: **our investments will withstand any scenario.** However, keep a somewhat prudent positioning
- **Interesting new themes:** energy transition; supply chains; infrastructures; capex cycle; labor, energy and commodities scarcity; digitalization; virtualization; IoT; AI …

Softlanding for the time being. Patience

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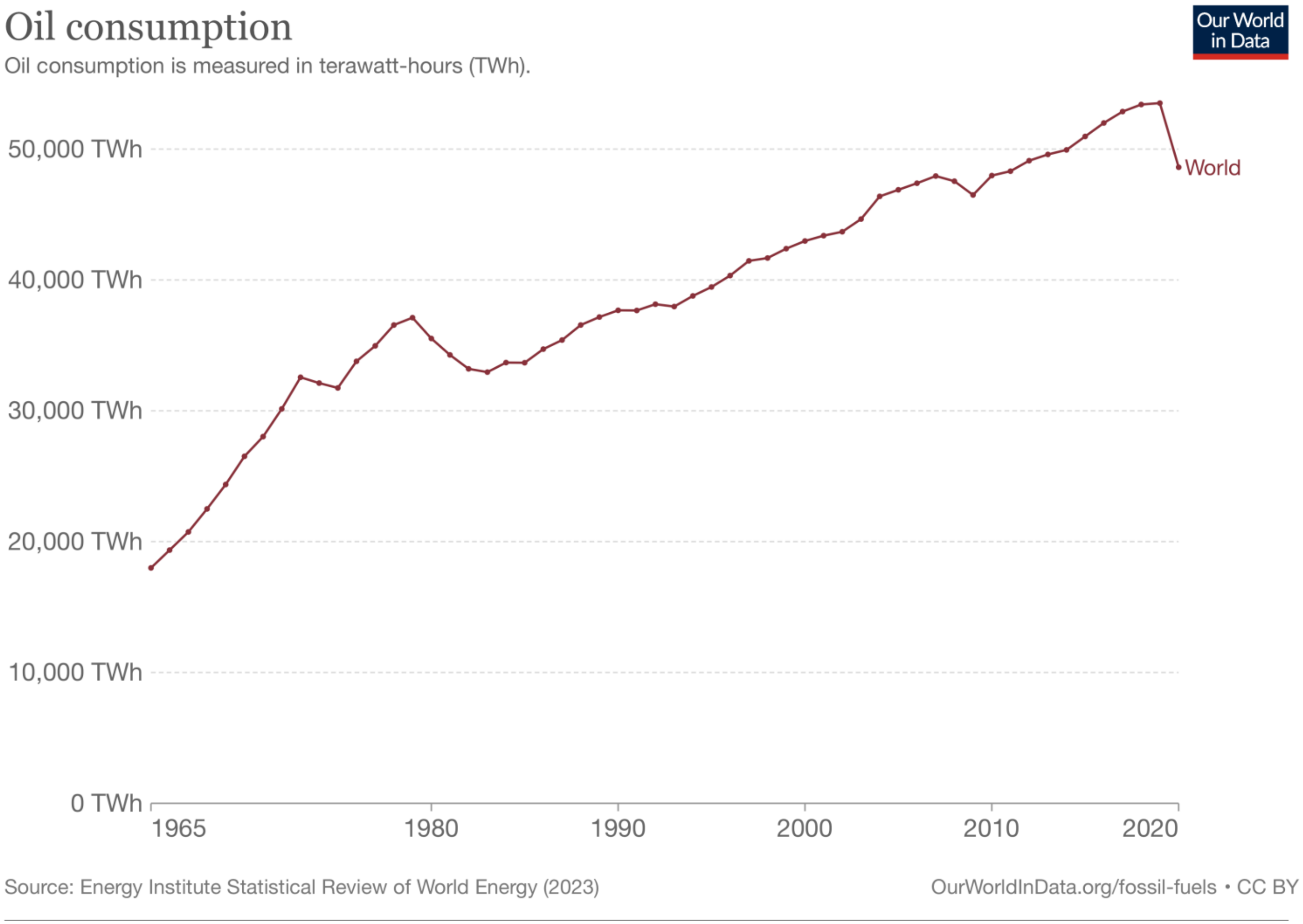
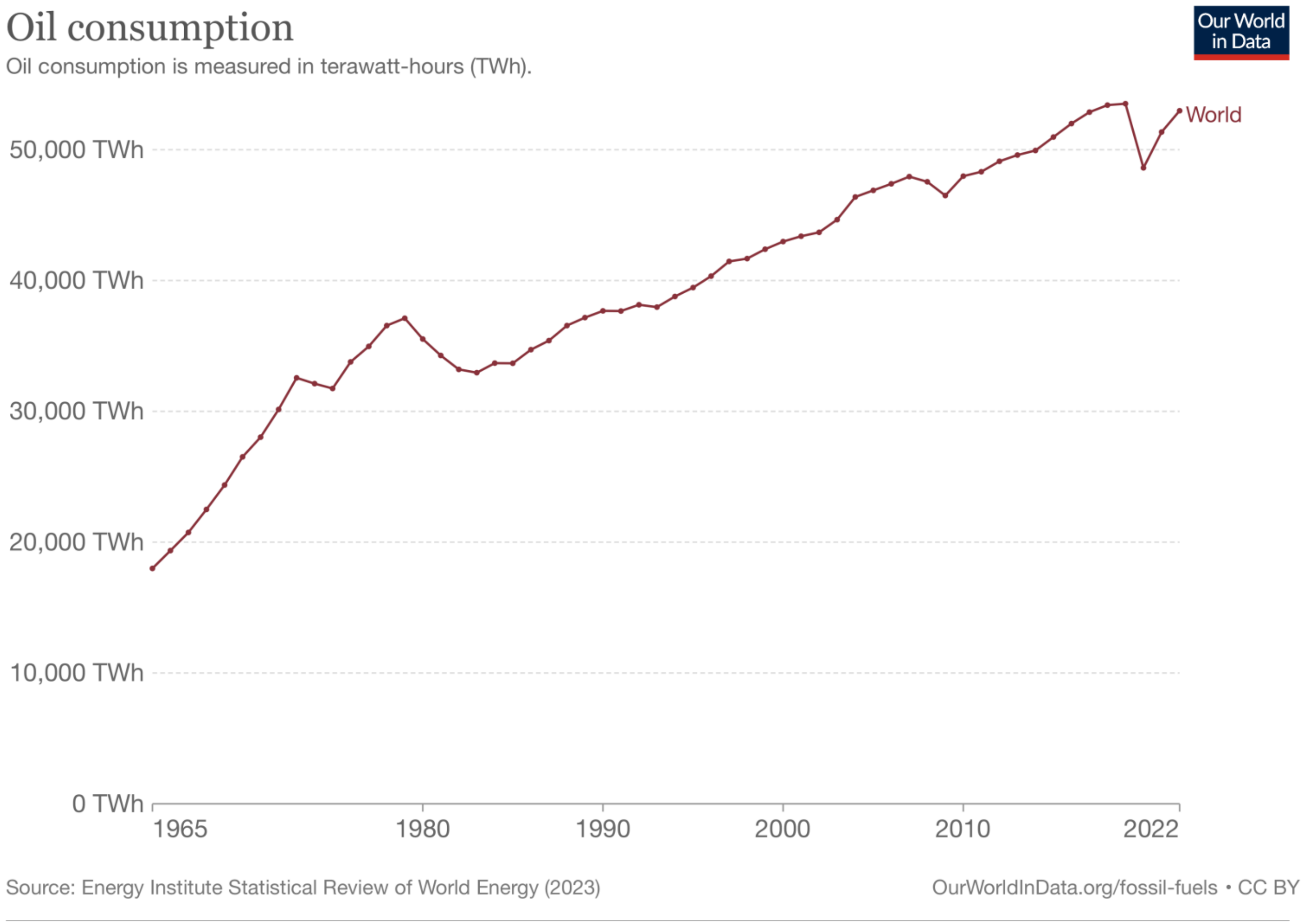
In 2019, many people assumed peak demand had arrived…

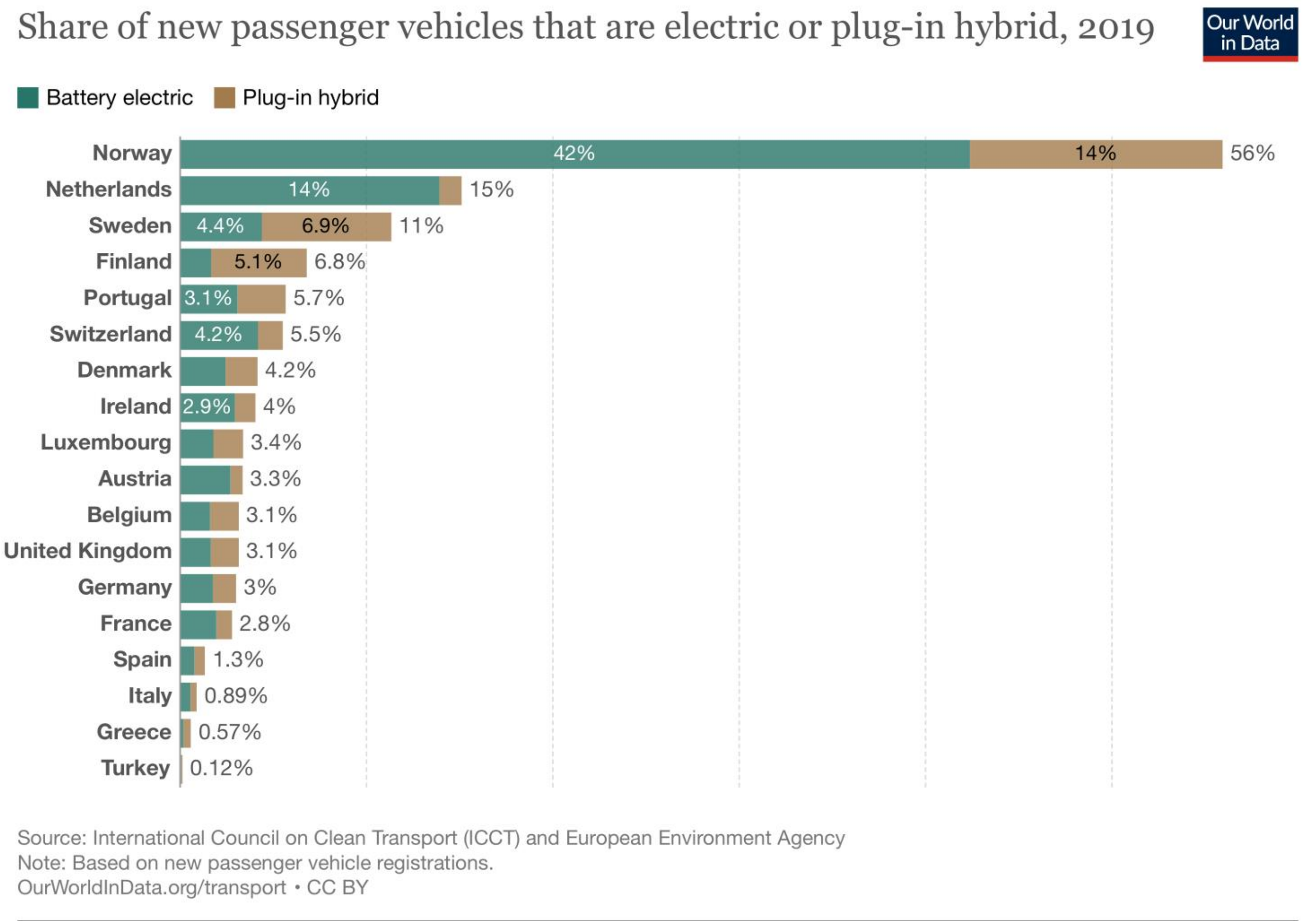


…But it hadn't

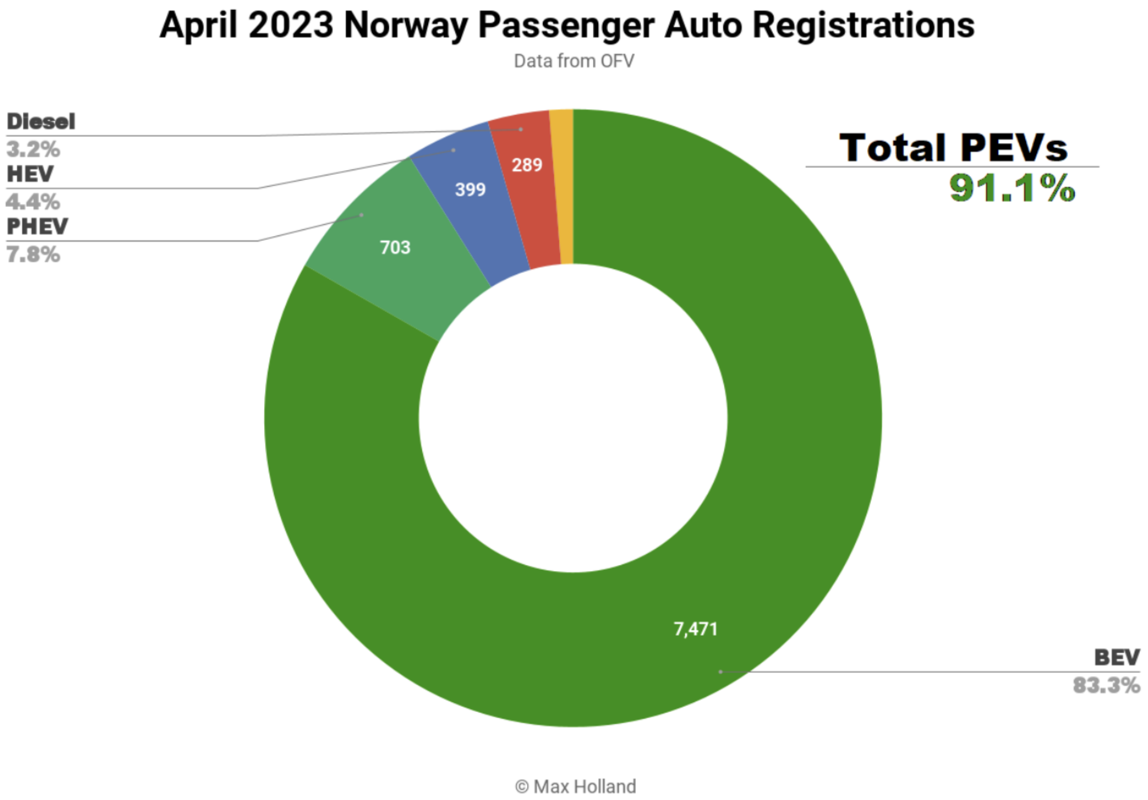


Oil consumption
Oil consumption is measured in terawatt-hours (TWh).
Our World in Data
World
50,000 TWh
40,000 TWh
30,000 TWh
20,000 TWh
10,000 TWh
0 TWh
1965
1980
1990
2000
2010
2022
Source: Energy Institute Statistical Review of World Energy (2023)
OurWorldInData.org/fossil-fuels • CC BY

Most oil (>65%) is used for transportation, where substitution is starting



It may take longer than expected: the case of Norway



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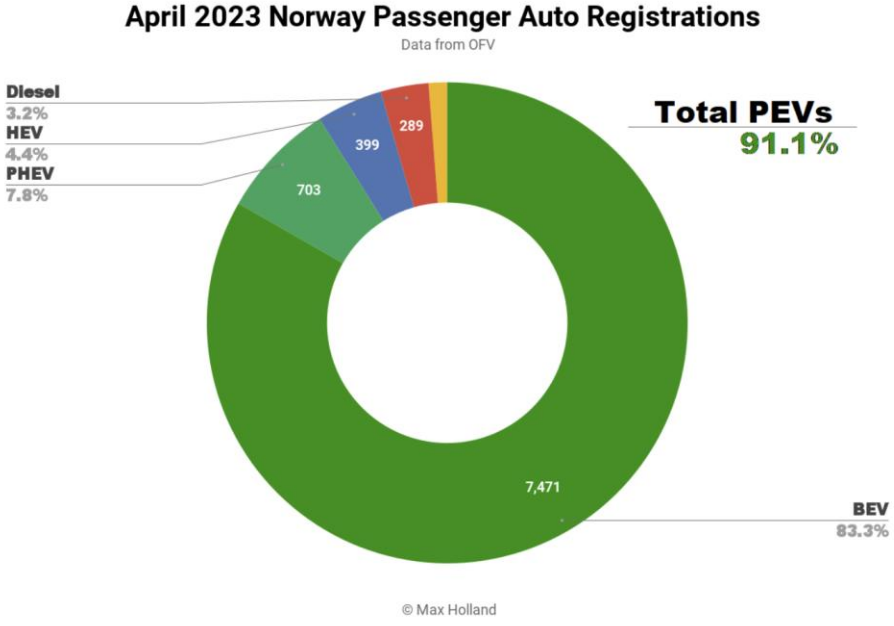
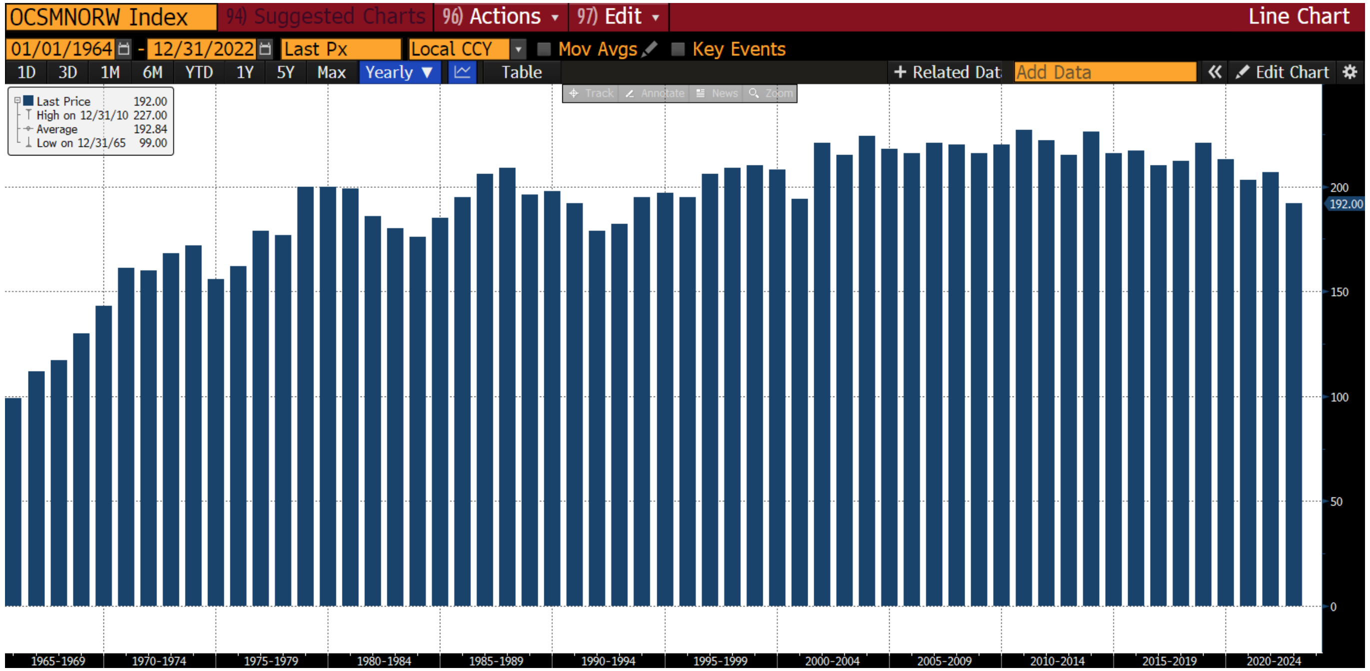
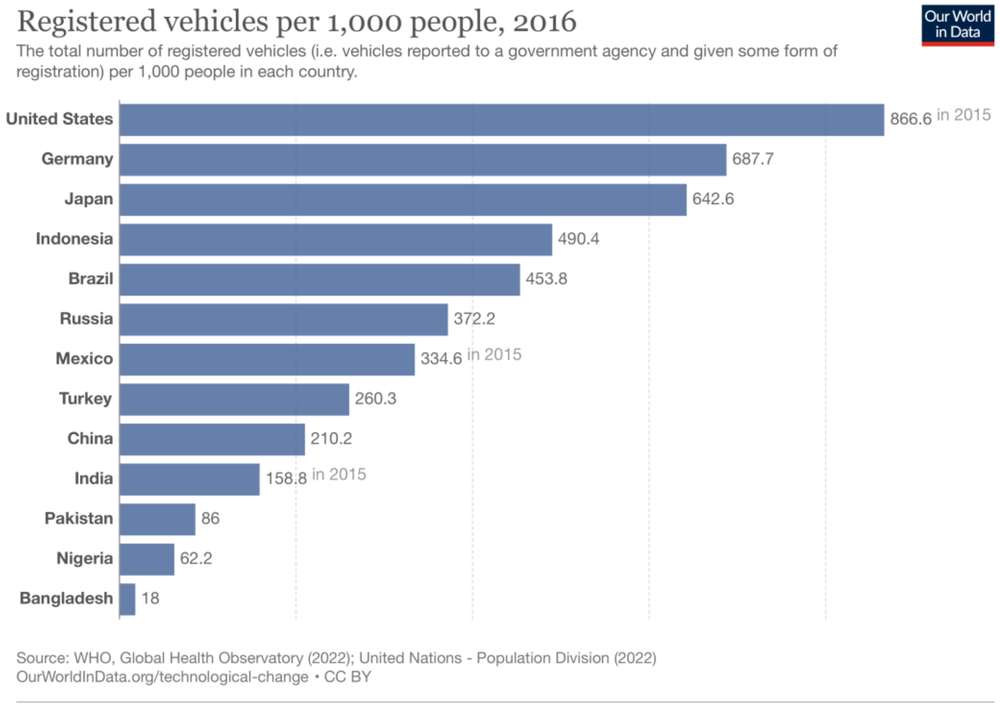
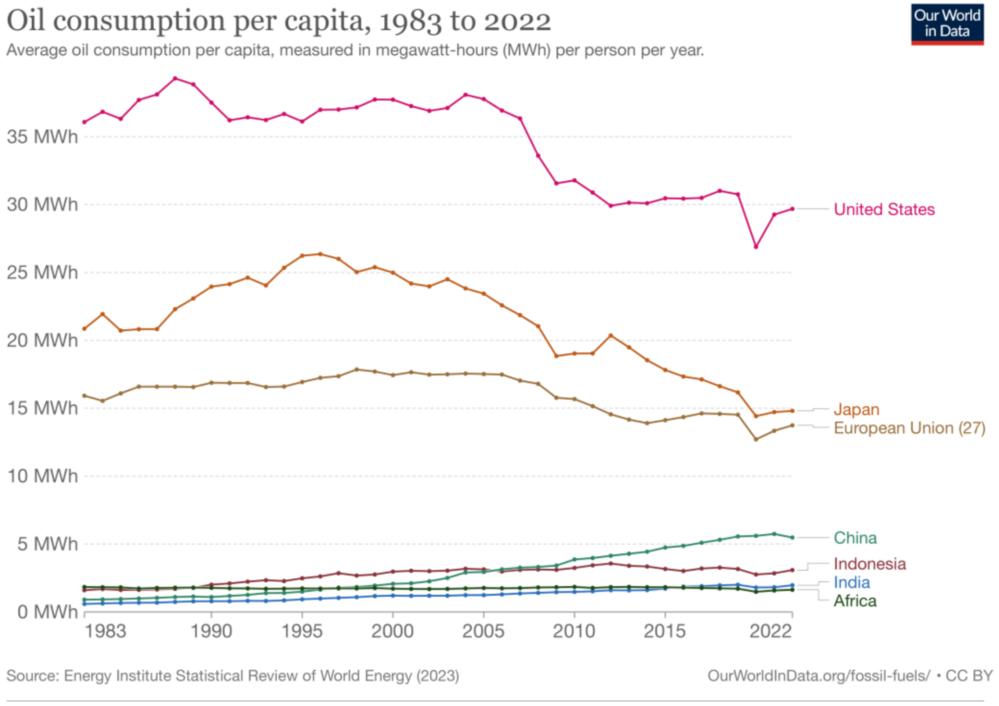




And demand for transportation is going to continue growing at a fast clip





Modelling EV impact on oil demand

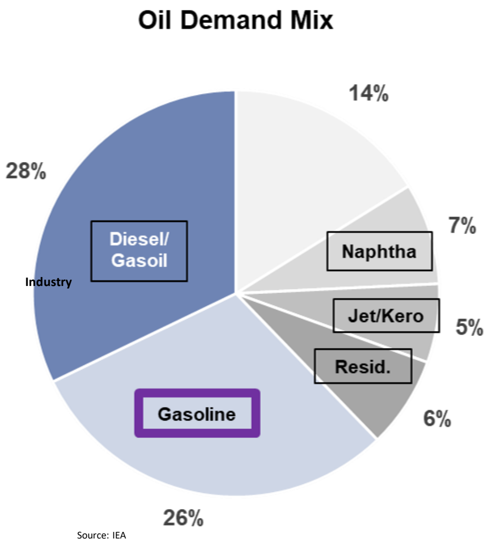
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Initial stock	1 000	1 041	1 082	1 124	1 164	1 197	1 228	1 257	1 284	1 310	1 334	1 353	1 367	1 376	1 380	1 385	1 391	1 398	1 406
Sales	85	90	95	97	99	101	103	105	107	109	111	114	116	118	120	123	125	128	130
EV %	5	8	10	12	20	22	24	26	28	30	35	40	45	50	50	50	50	50	50
Amort.	40	42	43	45	47	48	49	50	51	52	53	54	55	55	55	55	56	56	56
Δ Non-EV	81	83	86	85	79	79	78	78	77	76	72	68	64	59	60	61	63	64	65
Final stock non EV	**1 041**	**1 082**	**1 124**	**1 164**	**1 197**	**1 228**	**1 257**	**1 284**	**1 310**	**1 334**	**1 353**	**1 367**	**1 376**	**1 380**	**1 385**	**1 391**	**1 398**	**1 406**	**1 415**

Non transportation uses are also very hard to substitute… or the substitute is not interesting (nat. gas or coal)

- Transportation, aviation (about 10%)
- Plastics
- Paints, organic chemistry products

The key is in the developing world

	(US, EU, CAN, JPN, AU, NZ) The Lucky 1 Billion	The 1.4 Billion People Club			
		China	India	SE Asia	Africa
Population (millions)					
2022	1,124	1,426	1,417	1,307	1,427
2050E	1,150	1,313	1,670	1,619	2,485
2022 Oil Demand (mn b/d)	40.9	14.6	5.3	11.4	4.2
2022 Oil Demand per Capita	13.3	3.7	1.4	3.2	1.1
2050E Implied Oil Demand (mn b/d)					
at various per capita sensitivities:					
3			13.7		20.4
5		18.0	22.9	22.2	34.0
7.5	23.6	27.0	34.3	33.3	51.1
10	31.5	36.0	45.8	44.4	68.1
Change vs 2022					
3			8.4		16.3
5		3.4	17.6	10.8	29.9
7.5	(17.3)	12.4	29.0	21.8	46.9
10	(9.4)	21.4	40.5	32.9	63.9



It all depends on what you see the poorest 4 billion people doing during the next 30 years.

Conclusion

- **Demand will keep growing at current rates for a very long time**

- IEA forecast 2021: peak of 100 mbd in 2019, going to 75 mbd in 2030
- IEA forecast 2023: 103 mbd in 2023, going to 108 mbd in 2028
- Saudi Aramco CEO forecast 2023: 110 mbd 2030

Presentation Plan

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LTIF Classic: Ready for any scenario

- **The Classic is doing fine in 2023, up 10% ytd to EUR 622 per share**
- **Best sectors to June:** technology (+31%; semiconductor equipment), industrials (+9%; aerospace, defense, and electrical cables), services (+12%; mainly cleaning and catering) and cement (+36%)
- **Best stocks:** Metso, Prysmian, Thales, Compass Group, Pandora, Sodexo, Medtronic, ASML, Buzzi, Heidelberg Materials, ING and VISA … up above 10%.
- **Worst sectors:** Salmon and Energy
- **Worst stocks**: Grieg Seafood, Leroy Seafood, Mowi, Harbour, Cenovus, ConocoPhillips; EOG, Suncor and Hudbay Minerals… down more than 10%.

Classic will do well with and without recession.
Recession = investment opportunities

Quality and Value

Top 10 Holdings LTIF Classic

Grifols SA	7,3%
ISS A/S	4,4%
Pandora A/S	4,0%
Unilever Plc.	3,9%
Heidelberg Materials AG	3,9%
Medtronic Plc.	3,8%
Buzzi Spa.	3,8%
Sodexo SA	3,6%
First Quantum Minerals Ltd.	3,5%
Cenovus Energy Inc.	3,4%
TOTAL	**42,0%**

The 4 G's:

- **Good Business** (franchise, returns)
- **Good Management** (shareholder value)
- **Good Balance Sheets** (low leverage)
- **Good Price/Return** (discount)

- **Grifols stands out. A *Black Dog*?**
- **Earnings to June. Good performance, excluding ISS. We stick to the name**

Concentration & diversification. Solid earnings season

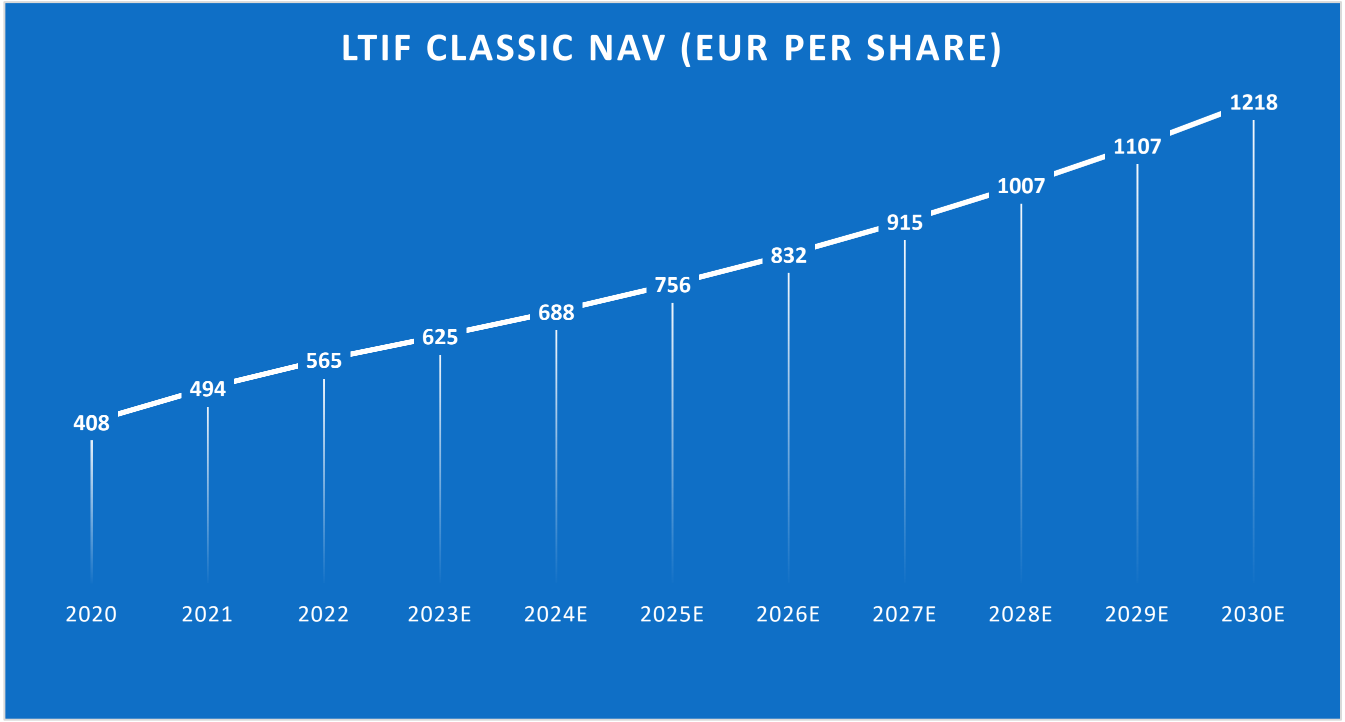
LTIF Classic (€ 620 p.s.). IRR@14%. IV@ € 924 p.s.

- Thanks to rebalancing and the addition of new companies, **we can steadily increase the LTIF Classic's Intrinsic Value**
- If there is a recession and stock prices go down, we will rebalance the Classic by buying the cheapest names, accelerating the I.V. re-rating and raising the IRR. It is counterintuitive but **recessions are value enhancing**
- **The I.V. has now exceeded €900 per share**, with an estimated IRR on investment of 14.1%, very much in line with the historical average (range of 12-17%).
- This implies that the fund is correctly valued and in line with our target of reaching €625 p.s. at the end of the 2023 and €1000 per share in 2028.

EUR 1000 per share in 2028 would be equivalent to 10% annual return.
The magic of compounding and long term, again

The Classic: a boring 10% per annum

LTIF Classic NAV*(10%)2020-2030E*



- The NAV*(10%)2020-30E* assumes a 10% return p.a. until 2030.
- This is not going to happen, and there will be good and bad years...
- The end of the road will not be too different from this extrapolation
- The more corrections and falls the market has, the better we will do. Surprising but true

We buy at a discount. The discount rises protection

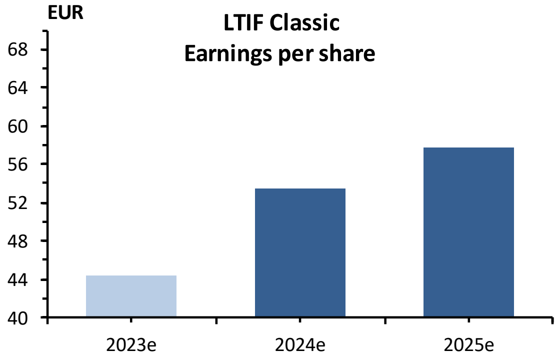
Date	NAV	%
31.12.2020	407.9	
31.12.2021	494.3	21.2%
31.12.2022	565.3	14.4%

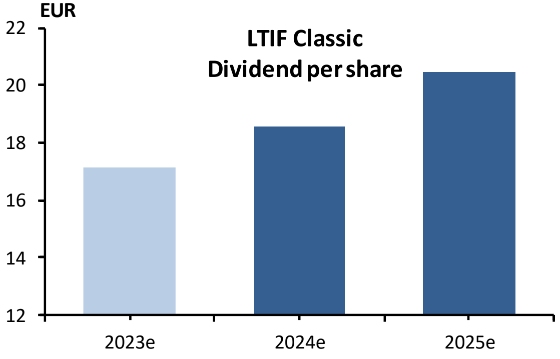
Reporting LTIF Classic as of 30.06.2023 (aggregated data in EUR)

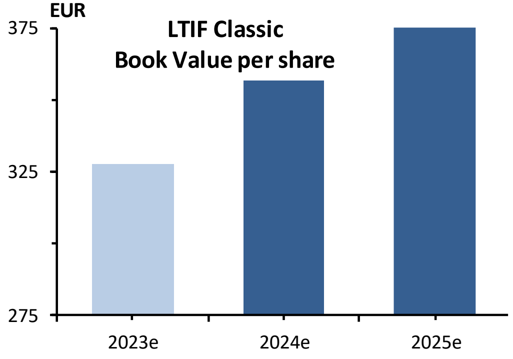
Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2023e	44.4		13.3	7.5%	17.4	5.7%
2024e	53.5	21%	11.0	9.1%	15.8	6.3%
2025e	57.7	8%	10.2	9.8%	14.7	6.8%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2023e	17.1		2.9%	2.2%
2024e	18.6	9%	3.2%	2.3%
2025e	20.5	10%	3.5%	3.0%

Year	BPS	%	P/B	MSCI World P/B
2023e	327.4		1.8	2.8
2024e	356.9	9%	1.7	2.6
2025e	387.3	9%	1.5	2.4







Source: SIA Group / Bloomberg

- Value means buying at a discount
- We usually look for 30% discount to IV
- Discount = risk management

Presentation Plan

- Where are we? The slowdown is not finished yet
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +6% in Q123. Ready for any scenario
- **Quarterly investment case: Leroy Seafood**
- The LTIF NR: +6% in Q123. So many good years ahead
- Natural Resources Thoughts *by Urs Marti*
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Leroy Seafood

- **Leroy Seafood is one of Norway's leading companies in salmon farming** with a production of 200,000 tons in 2025E (mainly Atlantic salmon, but also trout).
- **During the last 20 years Leroy has developed the entire value chain of the business**, from production of eggs to value-added formats.
- In this period, **Leroy has been able to grow revenues by >10% per year with an average ROCE of 17%.**
- **Attractive Sector.** Despite recent tax increases, we believe that the sector is very attractive. Supply growth in the world's two largest producers (Norway and Chile) cannot exceed 3-4% p.a.

Salmon Farmers: demand>supply

Leroy Seafood complies with the 4Gs

- Leroy Seafood has **quality assets**, a **first-class management team** and a **good balance sheet**, so it clearly meets our criteria.
- Regarding valuation, the current share price (NOK 42.5) is attractive, trading at a **2025 P/E of 7.9x.**
- **Our Intrinsic Value is x2 the current price (90 NOK p.s.)** with an estimated IRR of 20%.

	2023	2024	2025
PER	10,4	8,4	**7,9**
EV/EBIT	7,5	6,4	6,1
P/B	1,2	1,1	**1,0**
ROE	13%	14%	**14%**

Leroy Seafood is very cheap

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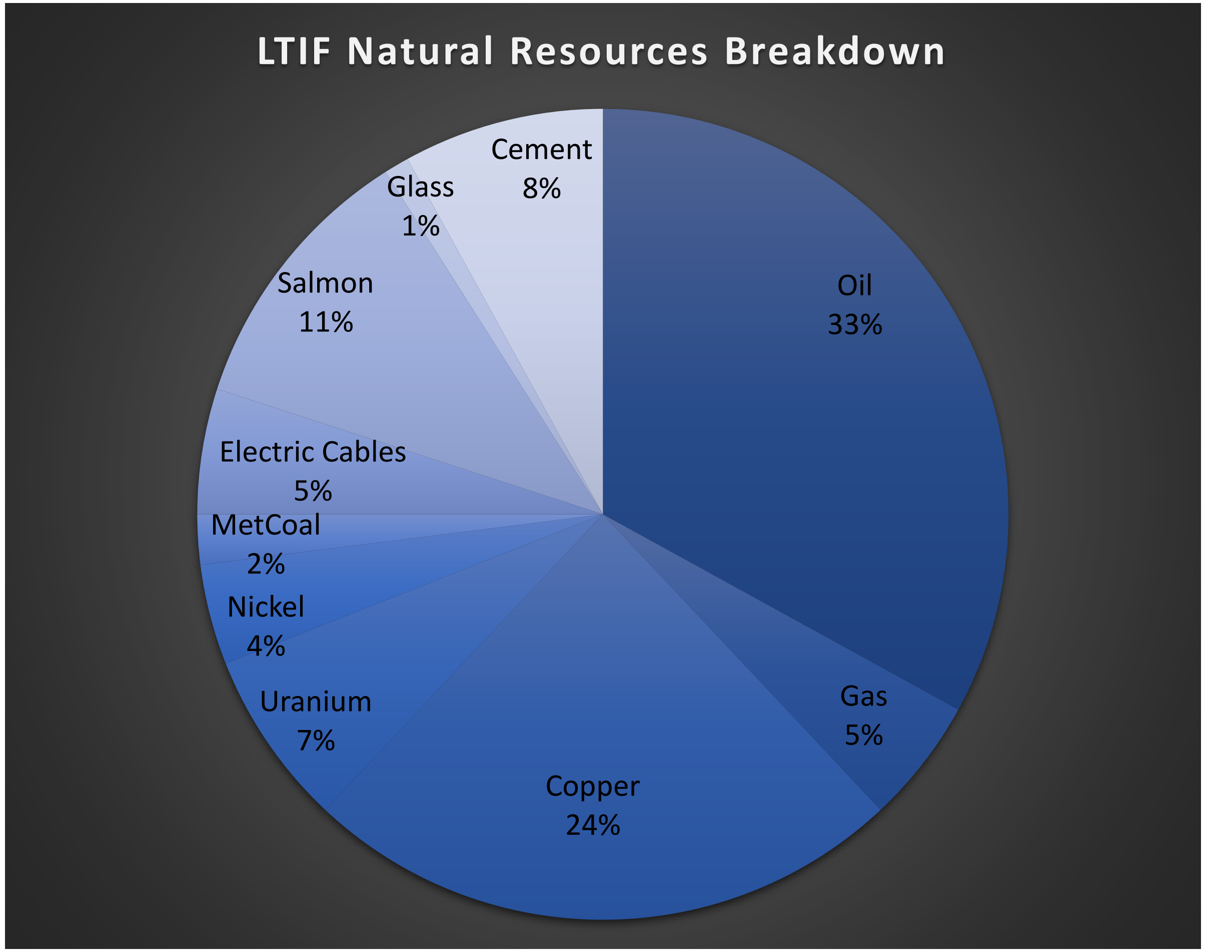
The NR Fund: up 15% in a tough year

- In 2023, LTIF NR has continued to struggle with the much-feared recession and was up only 2% as of June. Q3 better: **the Fund is now up 15% at EUR 155 p.s.**
- The **volatility of natural resources is high, which we will take advantage of to rebalance the portfolio**. Vola is good news when you understand the direction
- By sector, **Energy and Agri-Food (salmon) have been the worst performers** in H123, falling 7% and 16%. Worst performers: AkerBP, Harbour, Cenovus, Conoco, EOG, Pioneer, Suncor, Glencore, Hudbay, Grieg and Leroy Seafood.
- On the positive side, **Mines (+7%) and Infrastructure (+20%) had a good H1**. Best stocks: Petrobras, Cameco, Ero Copper, Ivanhoe, Lundin Mining, Southern Copper, Metso, Buzzi, Heidelberg and Prysmian, all above 10%.
- Most NR companies pay **dividends + share buybacks of c.10%** of market capitalization

Mr. Market remains concerned about the recession and China.
We keep buying at good prices

The LTIF NR trip to outperformance



- **Good business: TIER1** reserves & assets
- Good **management**
- Good **Balance Sheet**
- **Good price (cheap)**

- **Scarce** commodities
- **"Safer" geographies**
- **In/near production**
- **No start ups**
- **No majors**

- **Energy**
- **Metals**
- **Infrastructures**
- **Agrifood**

We only invest in companies

The NR Fund (€155 p.s.): IV of € 224. IRR: 14,3%

- We take advantage of market volatility to rebalance the portfolio. As a result, the intrinsic value of the fund rises throughout the year. **The fund's NAV stands at €224 p.s., with an IRR of 14.3%, using mid-cycle numbers.**
- **The fund continues to grow, c. 85 million assets under management,** even in a time when recession fears have cooled investors somewhat due to the strong correlation with economic growth.
- **We remain positive on natural resources, recession, or no recession.** Our analysis suggests that **the sector is generally under-invested** at a time of structural change in the global energy model.
- Our call is based on the supply side of the equation: **the supply of commodities such as oil, copper, uranium, salmon, cement, among others, will not be able to meet demand in the coming years.**

The NR Fund has a clear LT up-cycle ahead. We expect an average double-digit return per year (> EUR 300 p.s. in 5/6 years)

We buy at a discount. The discount rises protection

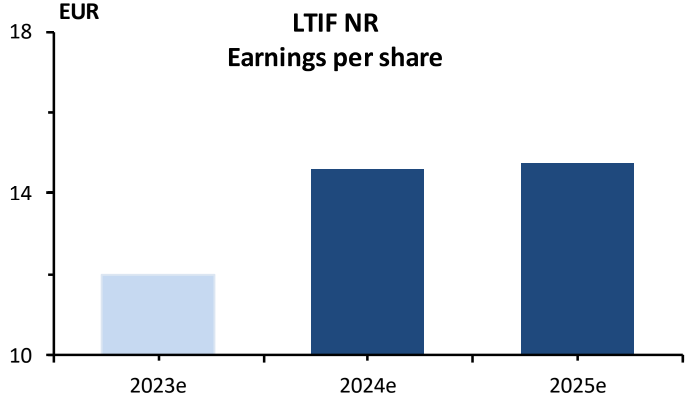
Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%
31.12.2022	138.4	12.9%

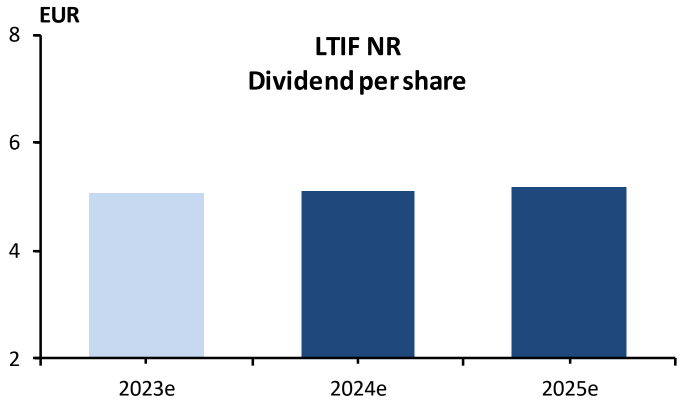
Reporting LTIF NR as of 30.06.2023 (aggregated data in EUR)

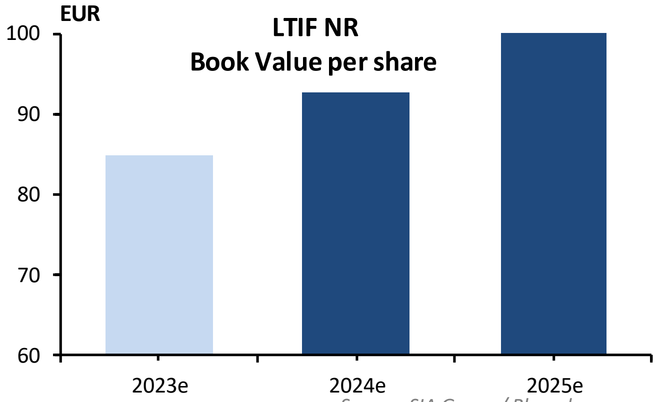
Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2023e	12.0		11.7	8.5%	11.1	9.0%
2024e	14.6	22%	9.6	10.4%	11.0	9.1%
2025e	14.7	1%	9.5	10.5%	11.0	9.1%

Year	DPS	%	Div. Yield	S&P NR Div. Yield
2023e	5.0		3.6%	4.0%
2024e	5.1	1%	3.6%	4.0%
2025e	5.2	1%	3.7%	3.9%

Year	BPS	%	P/B	S&P NR P/B
2023e	84.9		1.7	1.5
2024e	92.8	9%	1.5	1.5
2025e	100.6	8%	1.4	1.4

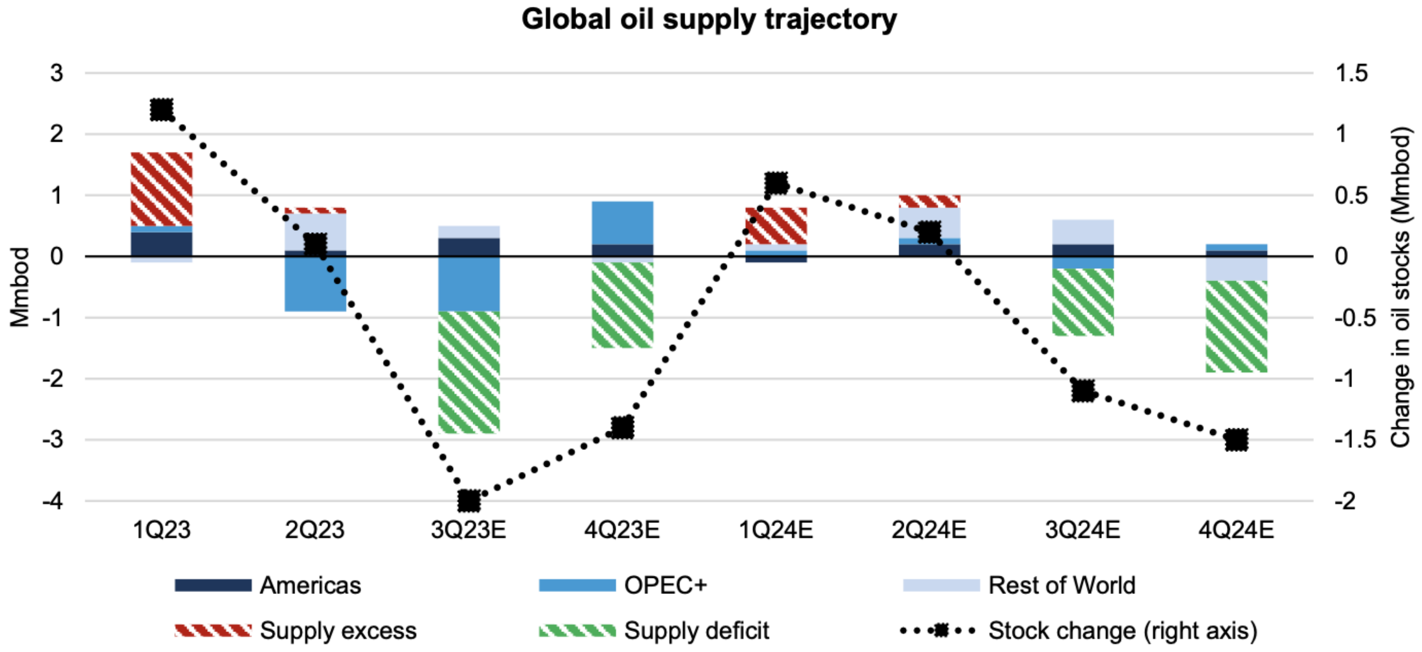






Source: SIA Group / Bloomberg

Oil Market: deficits in H223

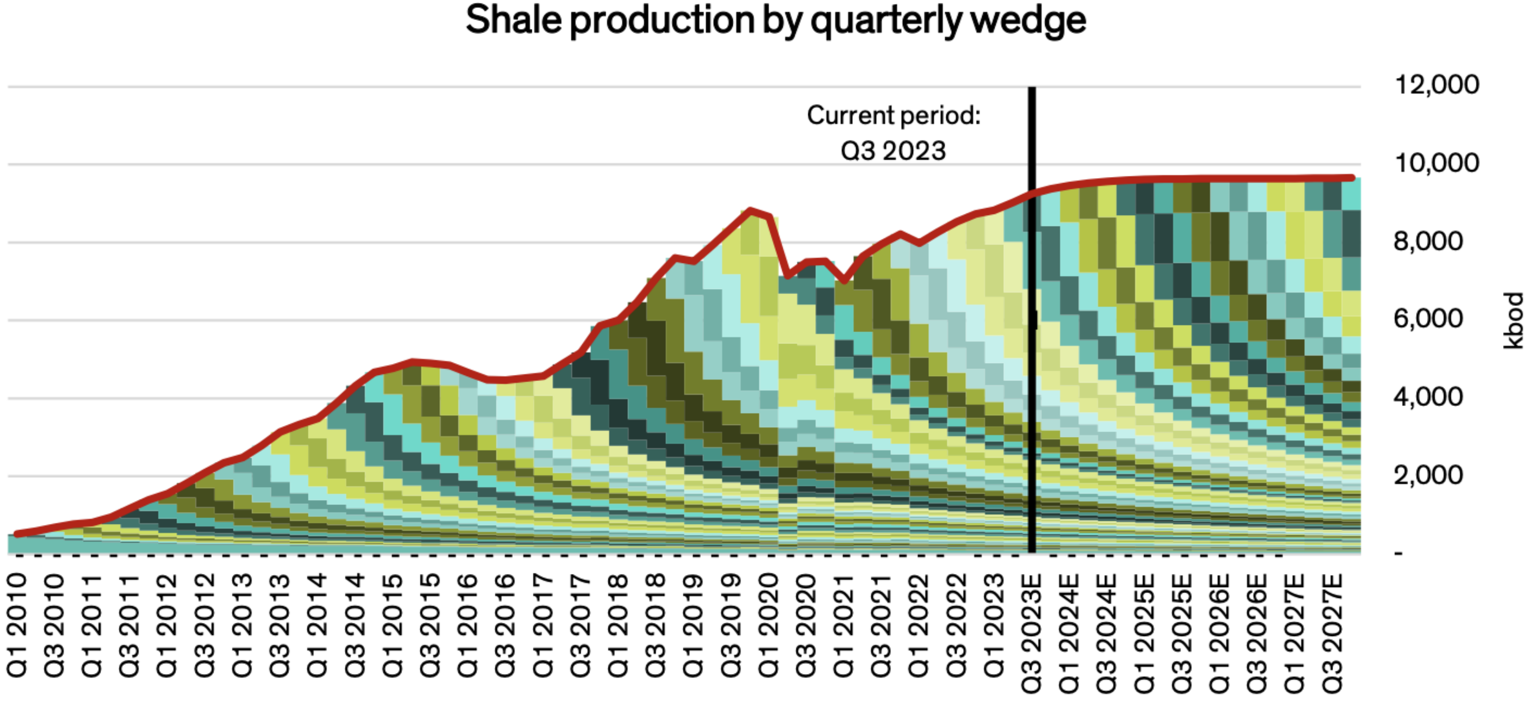


Note: Excess & deficit vs. demand
Source: IEA estimates, Bernstein analysis

- The crude oil market has been slightly oversupplied in H123
- Reasons: SPR releases. Iran, Venezuela, Russia
- OPEC+ has cut production and the market will be in deficit in H223
- Doing the maths, crude oil prices should move up to 90/95$. Ups! They did.

At Brent 90$ our oil companies will do extremely well

Oil Market: we need another shale play



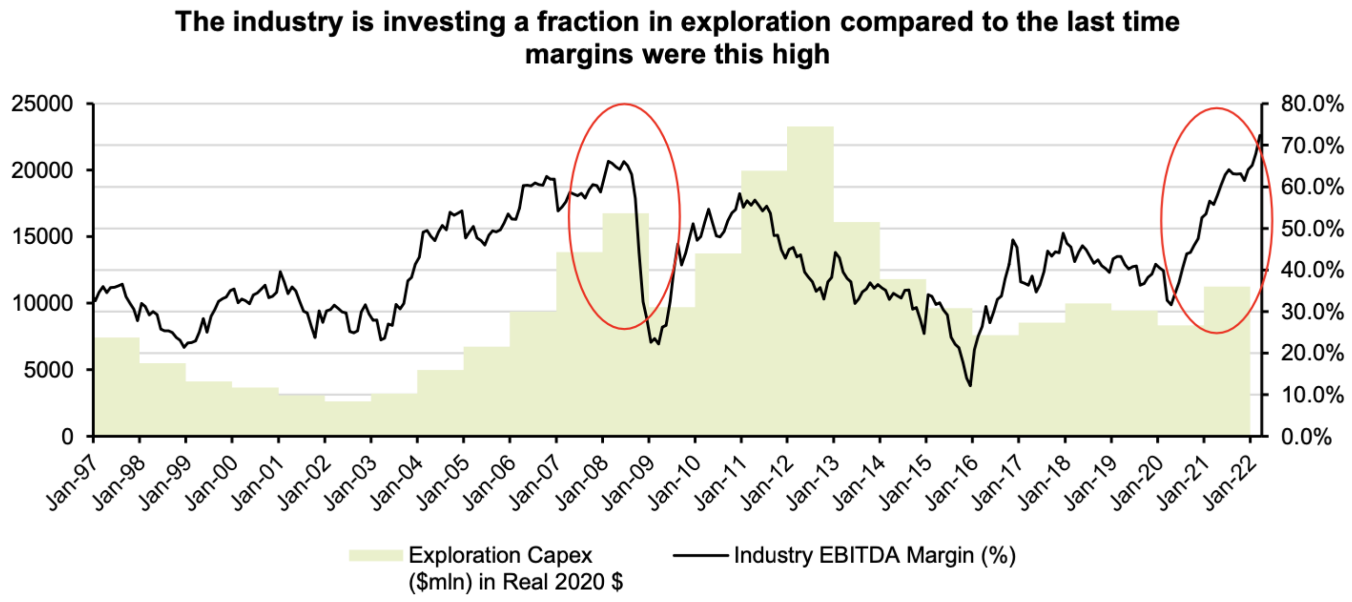
Source: Enverus, EIA, Baker Hughes, Primary Vision, Bernstein analysis and estimates

- Shale brought 10 m b/d in the last 10 years. Fully new
- We will need some 7-8 million more until 2030
- But there is no another shale
- Capex must rise to incentive levels to accelerate supply growthy
- Problem is Fear of Peak Demand (FoPD) and ESG. Sector is hated

What would have happened to oil prices if the US would have not developed shale oil? We will see it soon

Copper: structural deficit by 2025

Mining capex. Exploration depressed



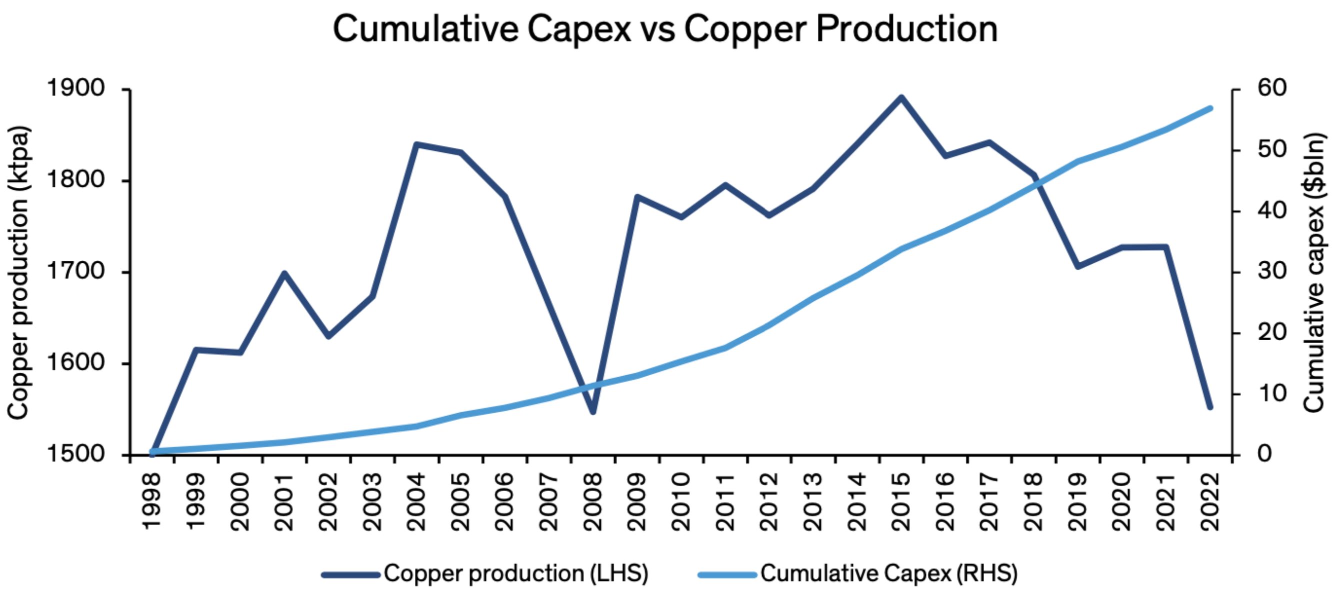
Source: SNL, WoodMac, Bloomberg, Bernstein analysis and estimates

- There are **enough new mines or expansions to satisfy supply until 2025**
- There are **not enough projects to satisfy normal demand growth from 2025** onward
- **Demand is going to grow far more than the historical 2% per year** due to the world economy's electrification
- It is **extremely difficult and lengthy to develop new copper mines** (ESG, licenses, taxes, political…)

The copper market looks balanced for a couple of years. After 2025 a huge supply gap arises

Copper: structural deficit by 2025

Codelco (Chile). Falling production despite capex



Source: Codelco, Bloomberg, Bernstein analysis and estimates

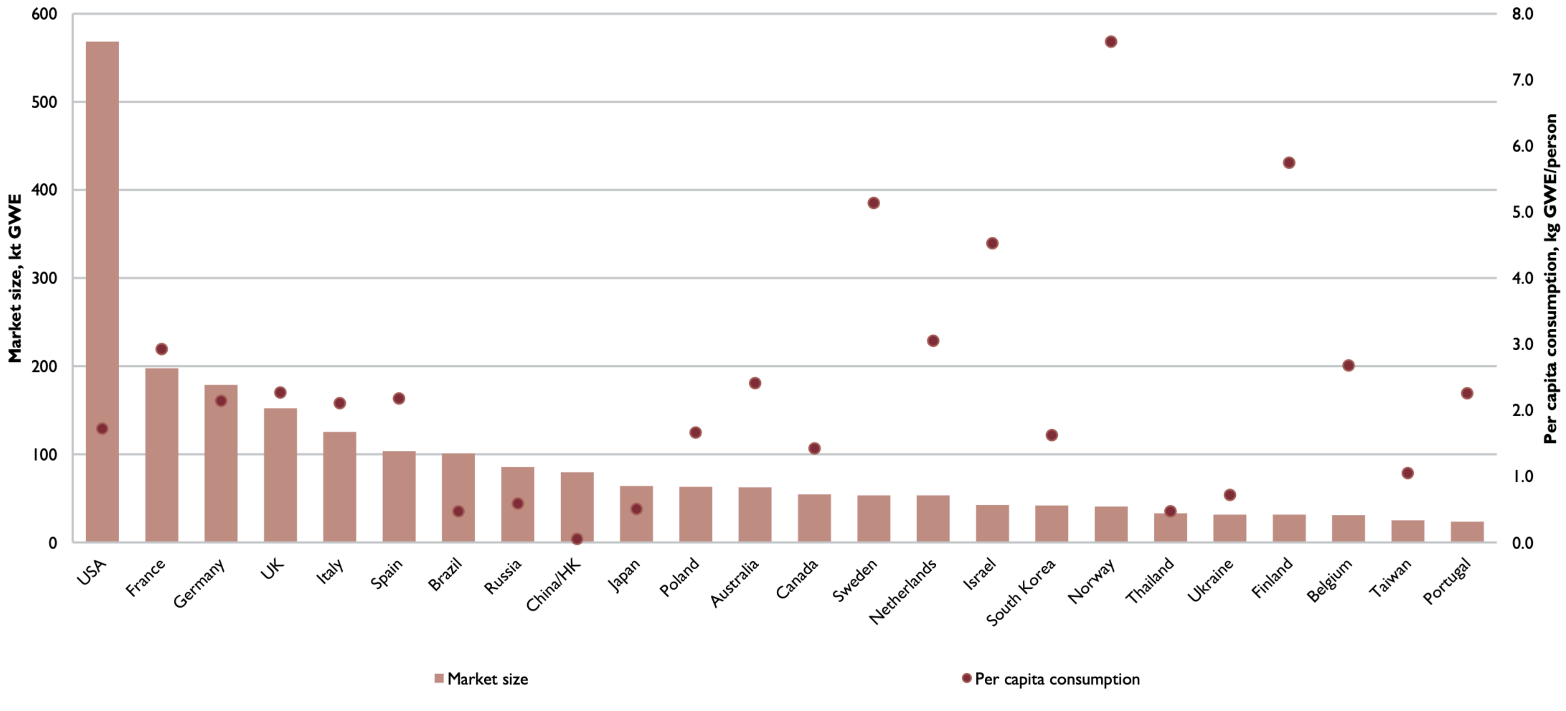
- Geology: grades are coming down
- Lower grades mean higher costs and investments
- Chile, which accounts for 30% of the world copper mine production, is struggling
- Increased taxes do not solve the problem

"Codelco is at risk of insolvency due to its soaring capital costs and higher debt levels, according to Chile's Centre of Copper and Mining Studies. CESCO estimate cost overruns of upgrading five of Codelco's mines could take debt from US$18B to US$30B by 2030. Codelco's net debt to EBITDA is now sitting at 5x"

The copper market is slowly moving to a structural undersupply. Experts put Incentive Price above 5$ Lb.

Salmon. Raising our exposure

Consumption of Atlantic salmon: Market size and per capita consumption



Source: Carnegie Research, Kontali

- **Salmon is a great product**: healthy, easy to cook and "efficient"
- **Consumption per capita in Europe is well above the US**, which is now growing
- The real potential is China, Asia and Africa. They simply do not eat salmon

The potential for salmon farming is huge. However, supply growth will be limited for the foreseeable future

LTIF NR. Conclusion: a long-term super-cycle

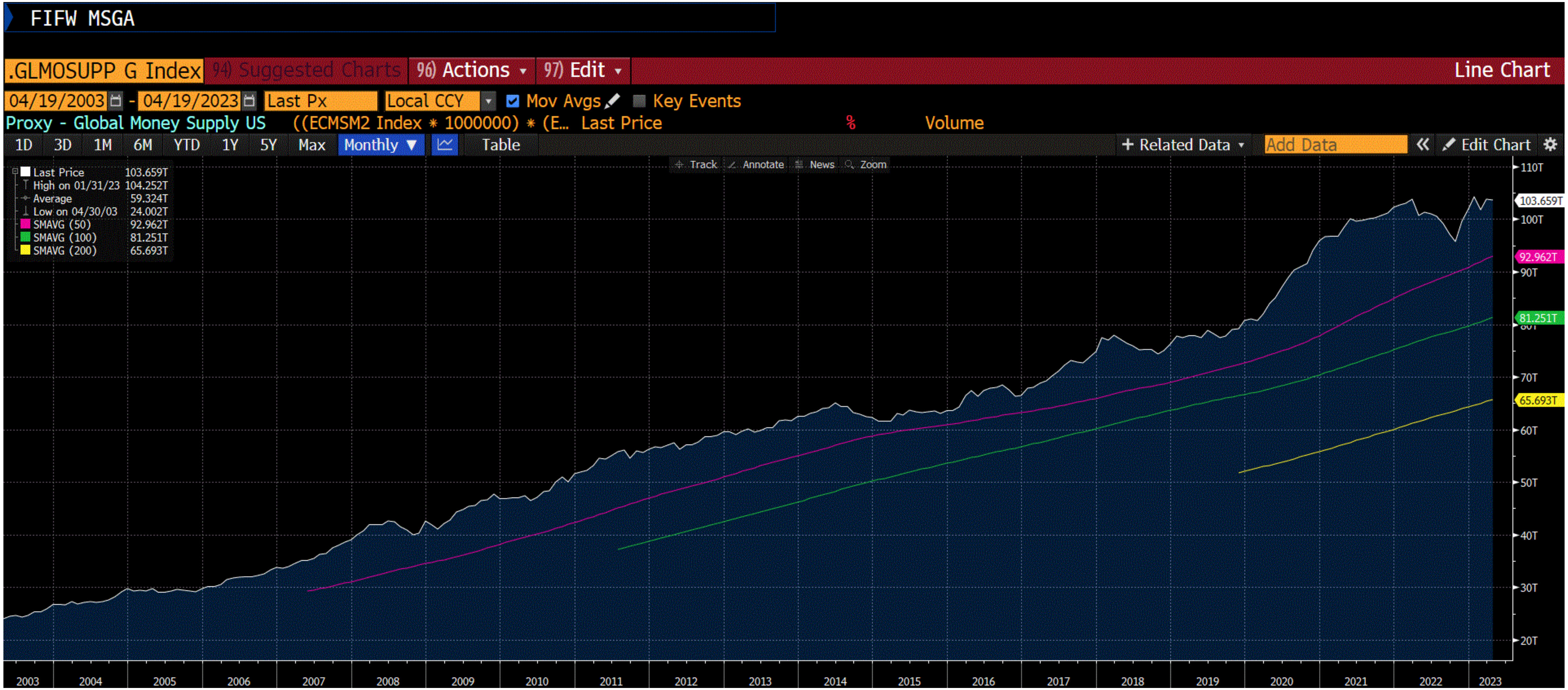
- **Short term, commodities keep fighting against the recession fear**
- **Longer term, nothing has changed: we see a supercycle,** based on
  - Oil has a stable/growing demand with falling capex/supply. High prices on the horizon
  - Green Metals demand will be fueled by the electrification of the global economy and future supply looks very much constrained
- **Valuation is still below mid-cycle.** We will first see a broad re-rating and then many years of outperformance on higher prices/free cash flow
- The commodities cycle is by definition a long cycle (due to the number of years needed to bring new supply) and **this cycle will be much longer due to the energy transition**, and the heavy constraints to bring supply

The NR Fund should continue to do well in this scenario

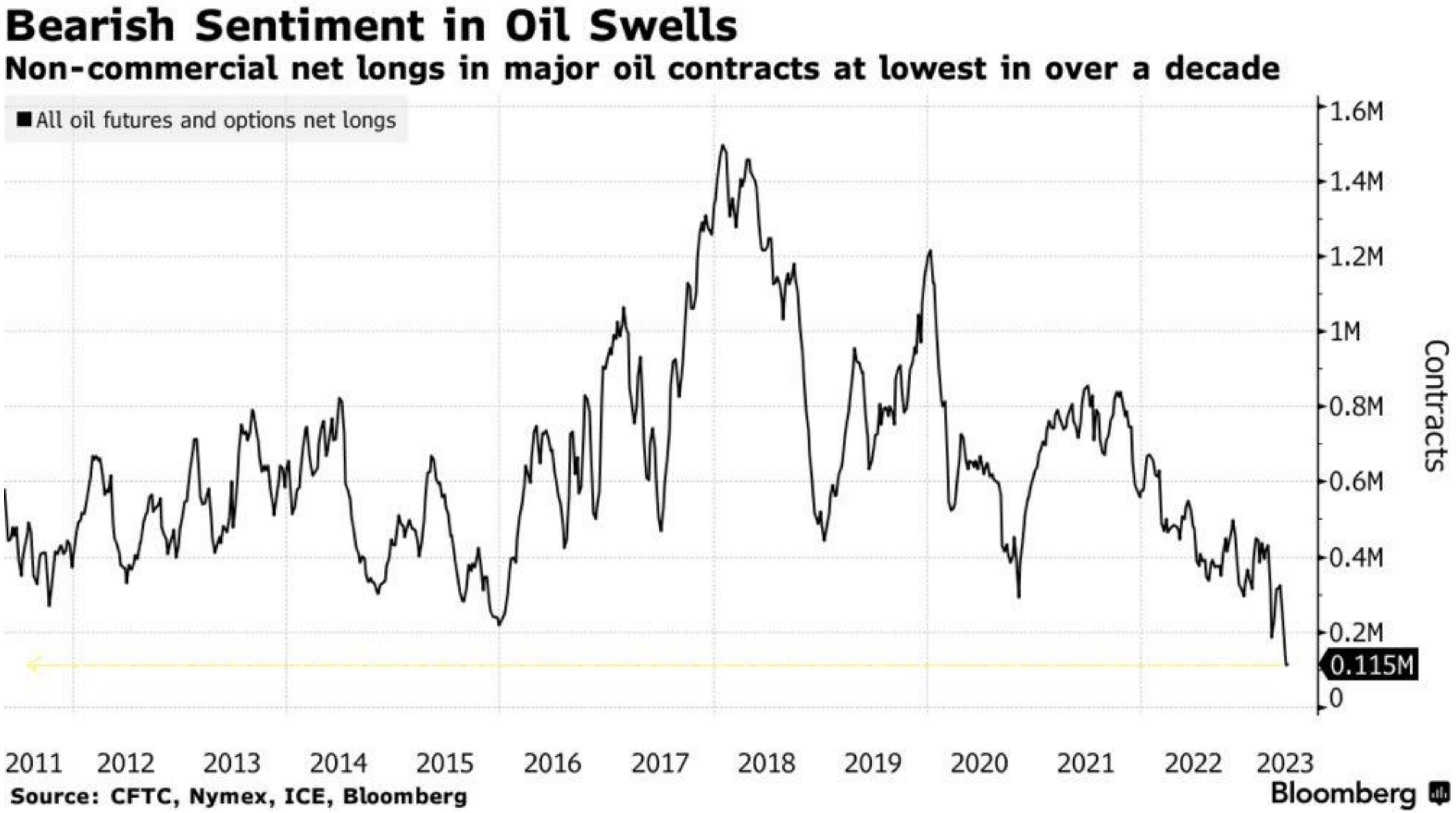
Presentation Plan

- Recession? Nobody Knows
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +10% ytd. On track & ready
- Quarterly investment case: Leroy Seafood
- The LTIF NR: +15% ytd. Fighting the recession fear
- **Natural Resources Thoughts *by Urs Marti***
- Final Remarks

Global liquidity saw its low in autumn 2022

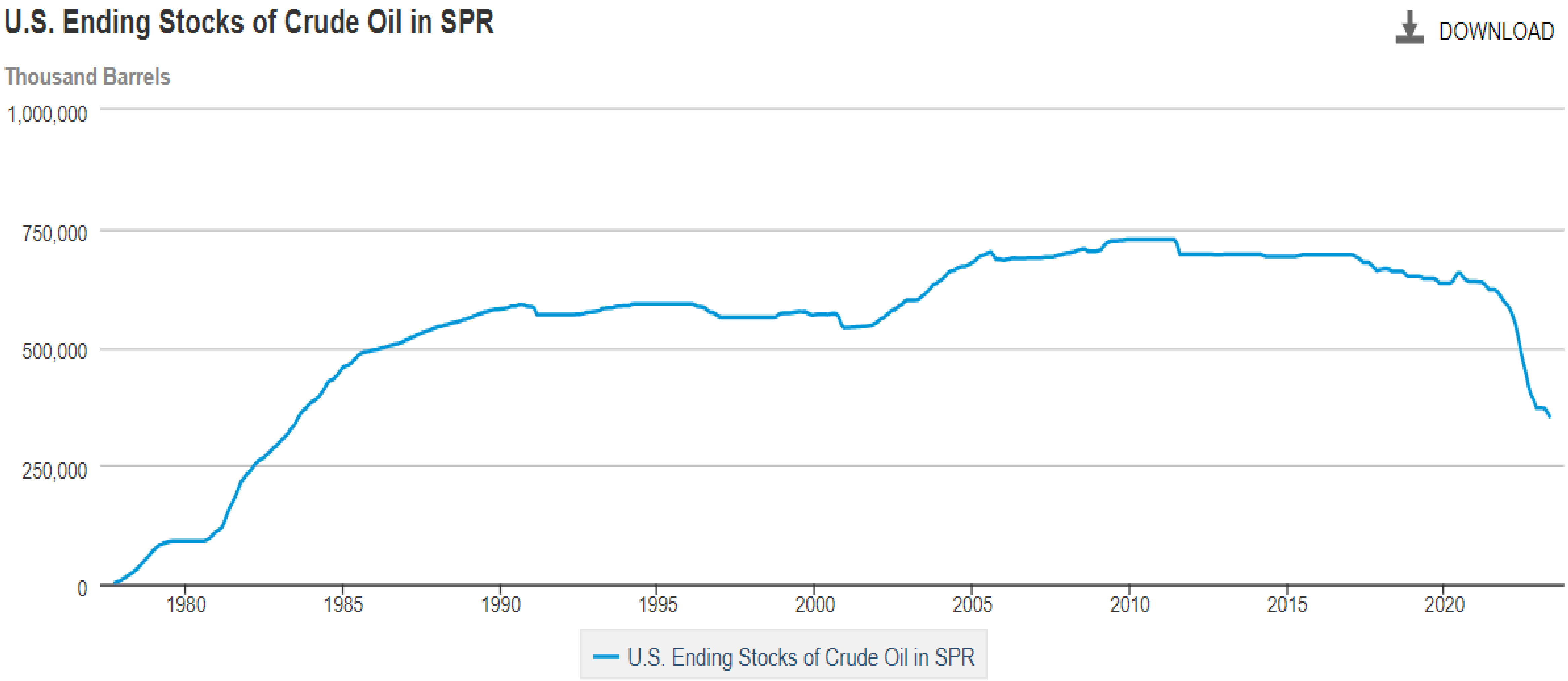


Max bearish



Bearish Sentiment in Oil Swells
Non-commercial net longs in major oil contracts at lowest in over a decade
All oil futures and options net longs
1.6M
1.4M
1.2M
1M
0.8M
0.6M
0.4M
0.2M
0.115M
0
Contracts
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Source: CFTC, Nymex, ICE, Bloomberg
Bloomberg

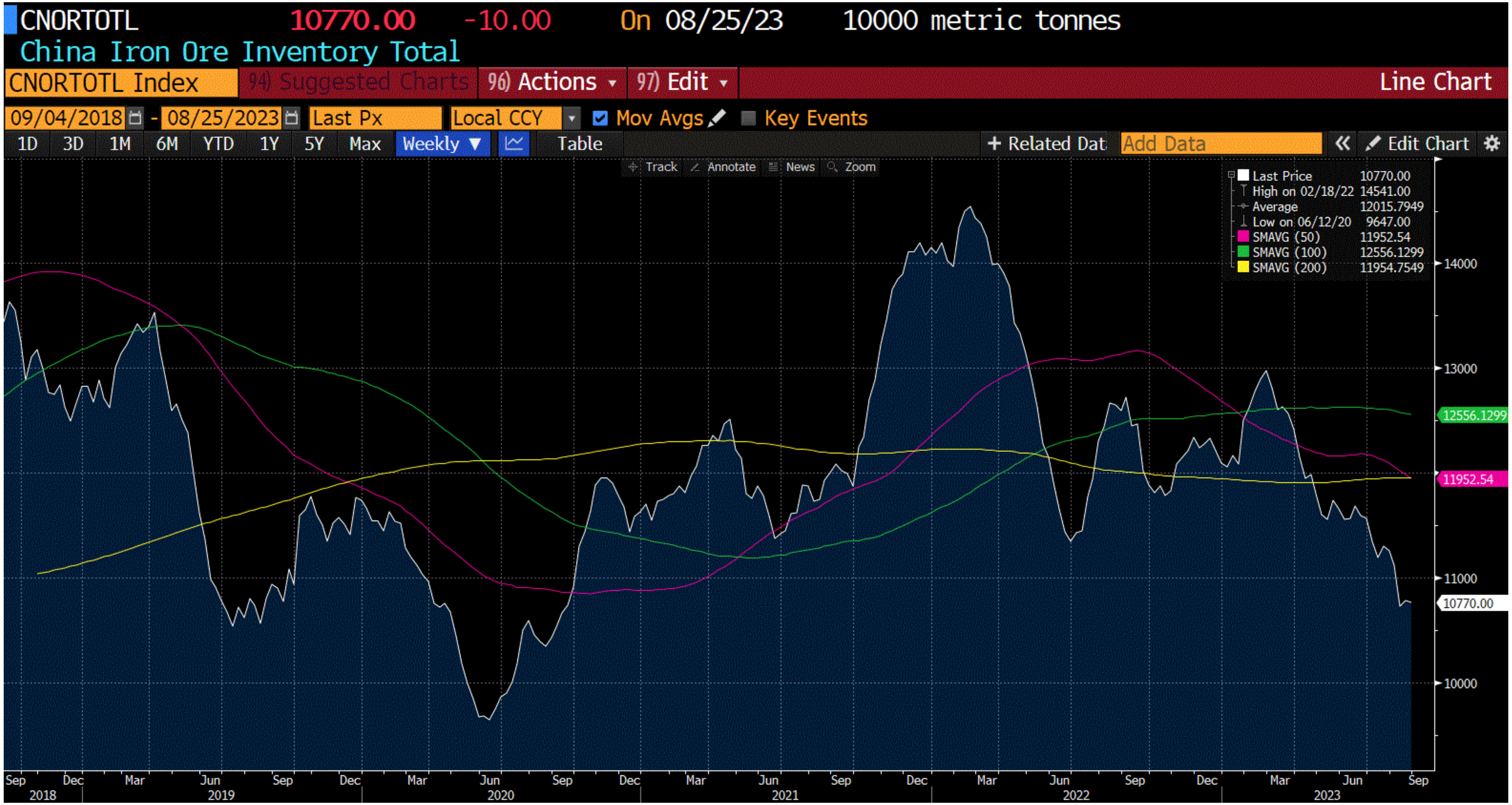
(Desperately) fighting inflation...



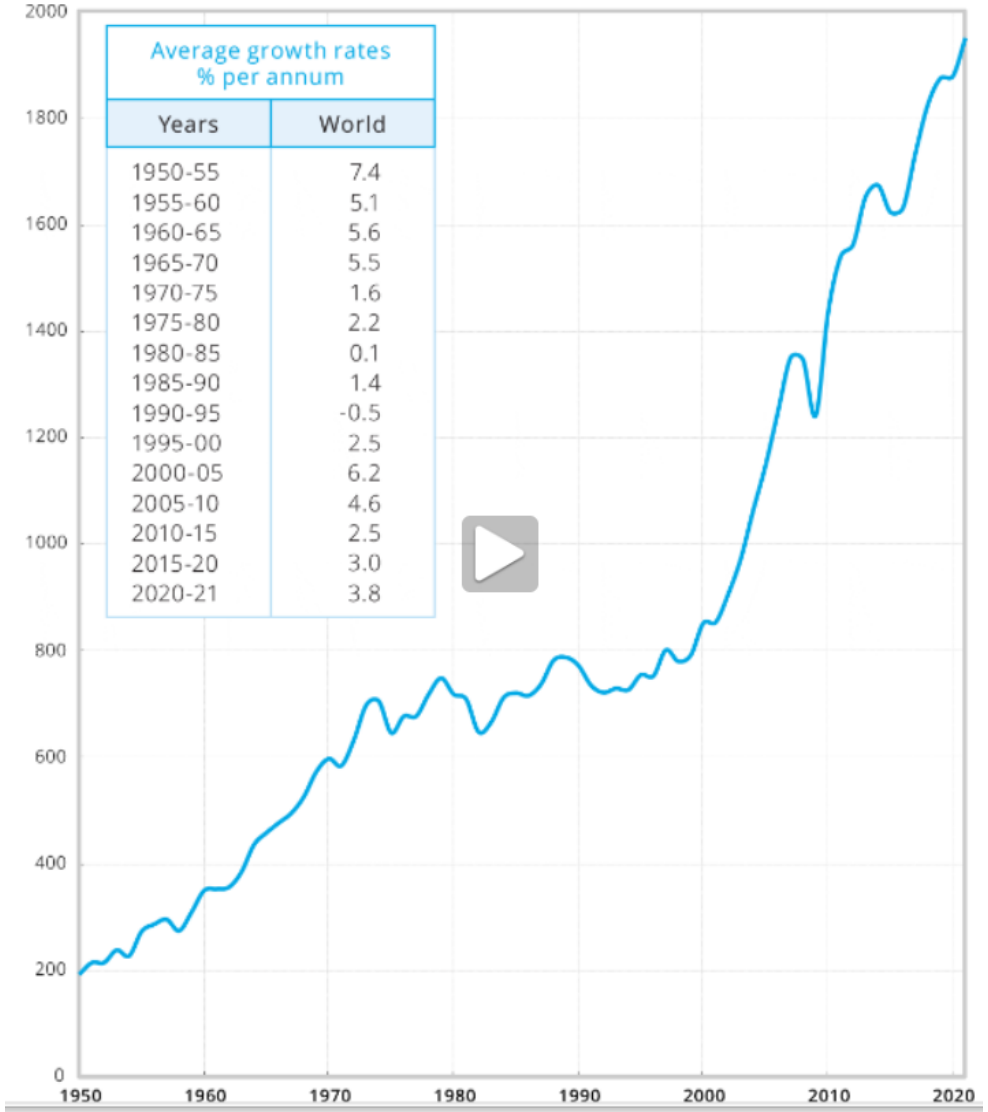
Recession nearly 2 years old

Country	2022 Production (in million tonnes)	Annual Production Change	Global Share
China	1013.0	-2.0%	53.9%
India	124.8	5.3%	6.6%
Japan	89.2	-7.9%	4.8%
United States	80.5	-6.5%	4.3%
Russia	71.5	-5.8%	3.8%
South Korea	65.9	-6.9%	3.5%
Germany	36.8	-8.8%	2.0%
Türkiye	35.1	-15.0%	1.9%
Brazil	34.0	-6.5%	1.8%
Iran	30.6	6.8%	1.6%
Italy	21.6	-13.0%	1.1%
Taiwan	20.7	-12.1%	1.1%
Vietnam	20.0	-15.0%	1.1%
Mexico	18.2	-1.9%	1.0%
Indonesia	15.6	8.3%	0.8%
Rest of World	201.0	-11.2%	10.7%
World Total	**1878.5**	**-3.9%**	**100.0%**

Recession has been discounted long ago…

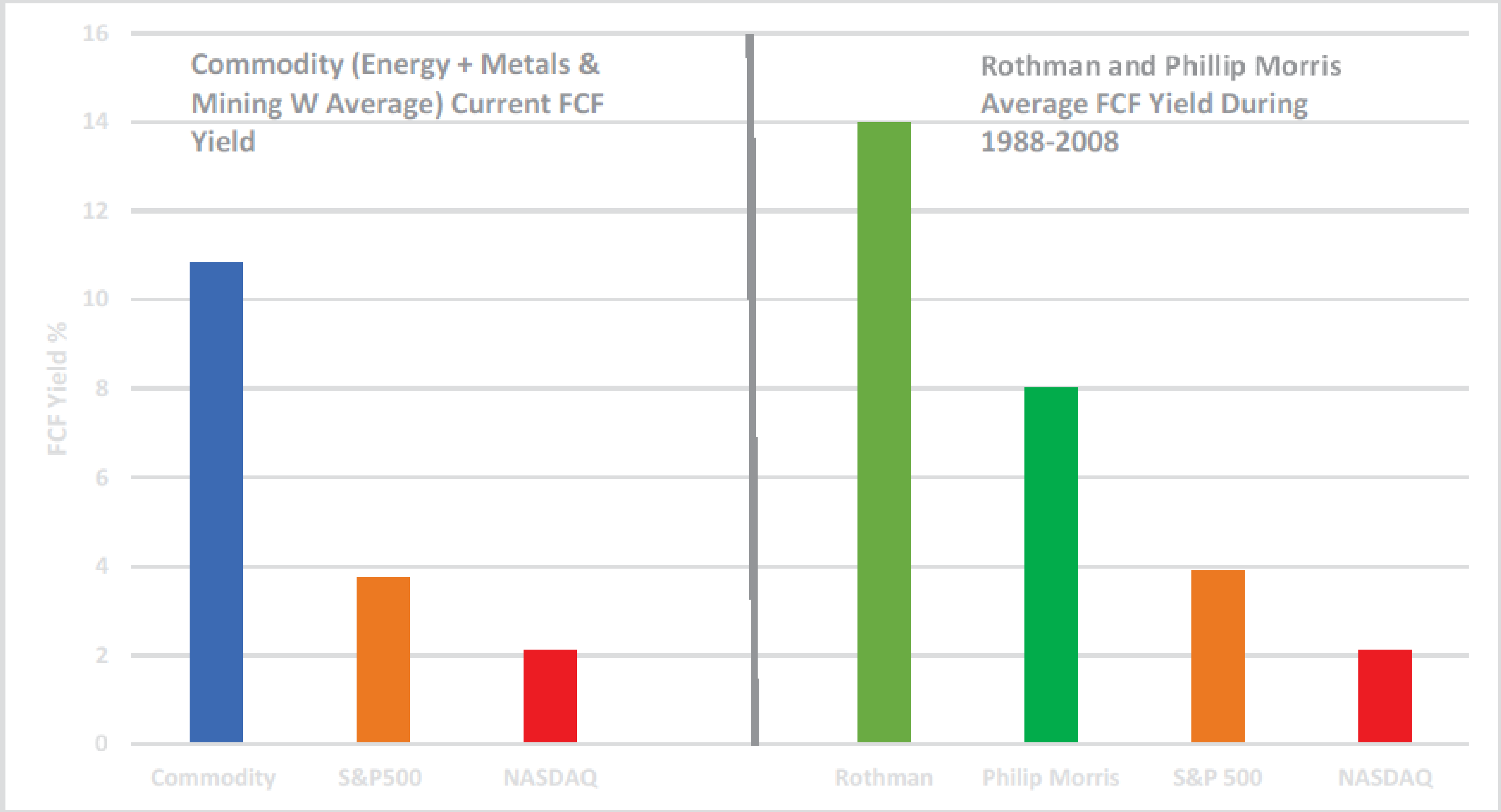


Bulks, cement, etc. not a fancy story, but...



Tobacco 2000 reloaded

Chart 15 - **Current Commodity FCF Yield vs Rothman Phillip Morris During 1988-2008**



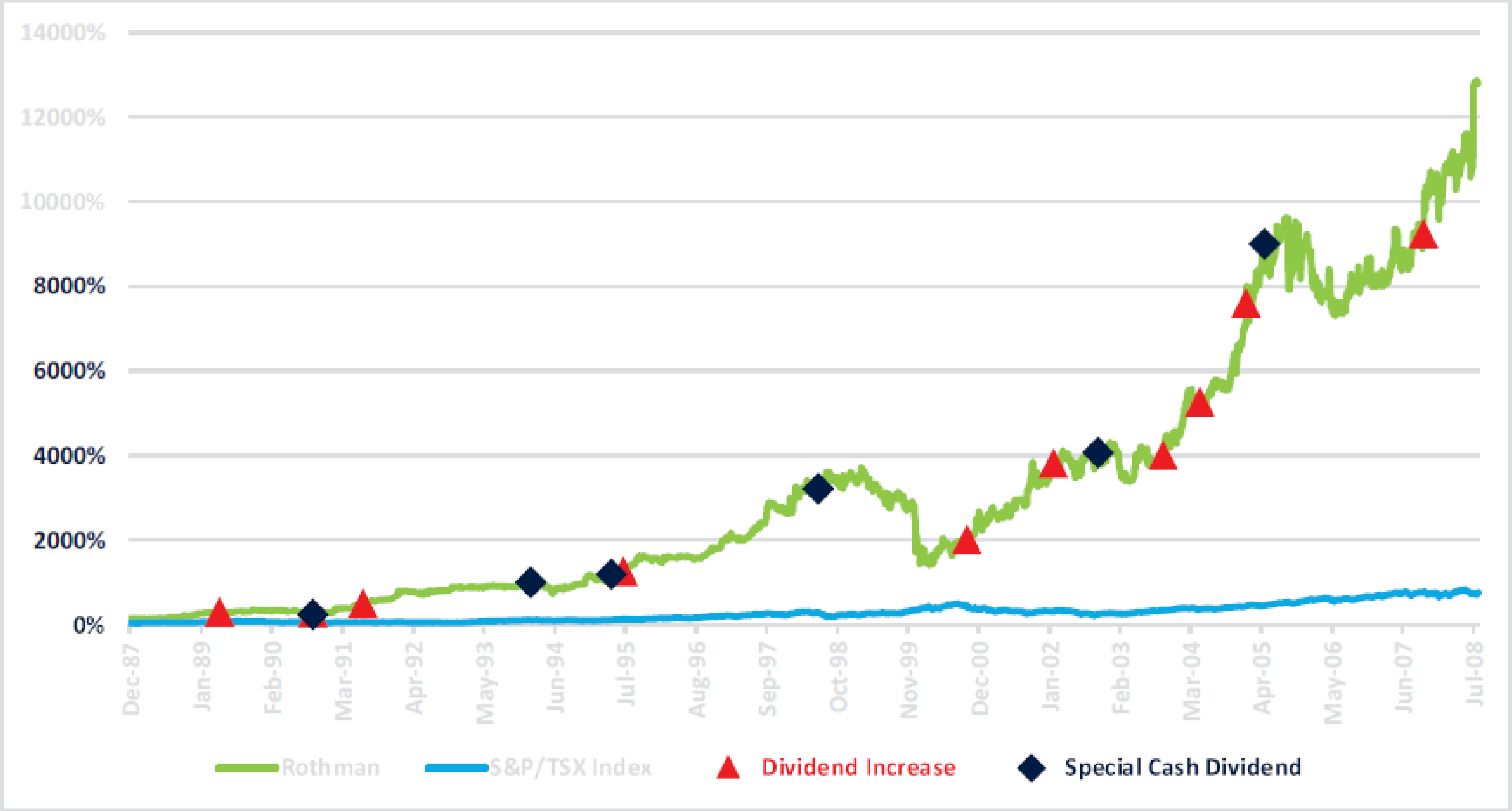
Source: Bloomberg, Factset, Stifel Research

Tobacco 2000 reloaded

Artificial Cost of Capital Barriers to Entry and Excess Returns: Tobacco Case Study

This is all reminiscent of the excess returns delivered by Tobacco companies. Only on a MUCH larger scale. Below we highlight the Excess Total Returns of Rothman's and Philip Morris for the 20-year period from 1988 to 2008 as Regulatory and Social Barriers increased on the sector. During this period Rothman's was the single highest Total Returning Equity on the Toronto Stock Exchange. Note the use of Cash Flow for Dividend Increases and Special Dividends in lieu of expansion or acquisitions.

Chart 13 - **Rothman vs S&P/TSX Cumulative Total Return**



Source: Bloomberg, Stifel Research

Source: Stifel

Long Term Investment Fund (SIA) Structure

Compartments	**LTIF Classic Series**			
Investment style	Long-only			
Management fee	1.5% pa			
Performance fee	15% (HWM and Hurdle Rate)			
Currency	EUR	CHF	USD	EUR
ISIN number	LU0244071956	LU0301246772	LU0301247077	LU1449969846
Telekurs valor	2'432'569	3'101'817	3'101'820	33'180'015
Bloomberg ticker	LTIFCLA LX	LTIFCLC LX	LTIFCLU LX	LTIFCLD LX
Distribution	reinvested	reinvested	reinvested	distributed

Compartments	**LTIF Natural Resources**		
Investment style			
Management fee	1.5% pa		
Performance fee	15% (HWM)		
Currency	EUR	CHF	USD
ISIN number	LU0244072335	LU0301246939	LU0301247234
Telekurs valor	2'432'575	3'101'836	3'101'839
Bloomberg ticker	LTIFGEV LX	LTIFGEC LX	LTIFGEU LX
Distribution	reinvested	reinvested	reinvested

- **Daily liquidity,** cut-off time previous day at 4:00 pm CET
- **Performance fees are assessed and paid yearly**

SIA Funds AG is an authorized Asset Manager of collective investment schemes, regulated by the Swiss Financial Market Supervisory Authority FINMA.

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DISCLAIMER: LTIF (SIA) Classic and Natural Resources