S I A
Strategic Investment Advisors Group

Long Term Investment Fund

Newsletter

of September 2017

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Overview of our funds

Figure 1: LTIF Classic EUR
vs. MSCI Daily TR Net World Index EUR

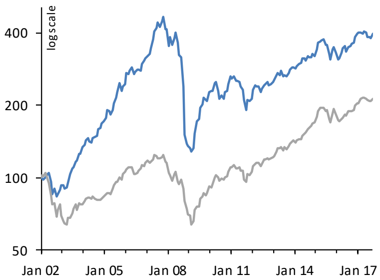

Figure 2: LTIF Stability A Cap EUR
vs. HFRX Global Hedge Fund Index EUR

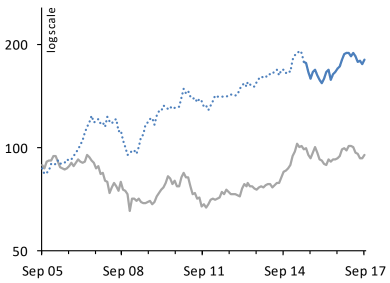

Figure 3: LTIF Natural Resources EUR
vs. S&P Global Nat. Res. Net TR Index EUR

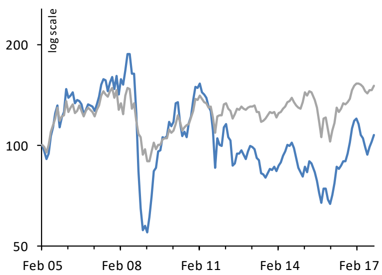

Figure 1 through 4 and Table 1 show the latest evolution of our funds' Net Asset Value.

Table 1: Net Asset Value - Net assets under management of our funds

September 29, 2017	NAV	Δ 3m	Δ YTD	Annualized return (s.i.)	AUM *(in mio)* **Pool*
LTIF Classic [EUR]	397.68	3.5%	0.1%	9.3%	176*
LTIF Stability A Cap [EUR]	180.09	1.2%	-4.1%	6.4%	176*
LTIF Natural Resources [EUR]	107.20	14.6%	-9.4%	0.6%	18
LTIF Stability Growth [CHF] *(Total return, dividends included)*	220.10	6.7%	4.7%	3.8%	5

Source: SIA Group

As can be seen, the "gap" between this and the main indices that opened at the beginning of the year is closing, with our shares advancing more than the World Index over the last month and quarter. They are up 11% from a year ago. This is, of course, "depressed" by the rise of the euro (12% against the dollar so far this year), because many of our investments are in dollars, or dollar-related currencies. However, some years it's the other way around.

A few more points on the share price evolution (which we call the "noise") before we discuss our businesses (the "signal"):

The salmon farmers' shares, which dropped quite a bit since the beginning of the year, have recovered what they lost and are now trading at maximum prices. In spite of this, they still have PEs around 10, 5-8% dividend yields, and excellent prospects.

Figure 5: share prices of Bakka, LSG, MHG, ytd, normalized at inception, including dividends (Bloomberg COMP), in euro

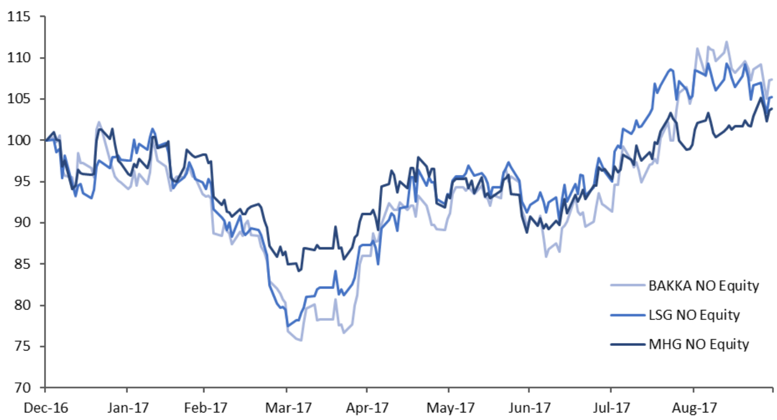

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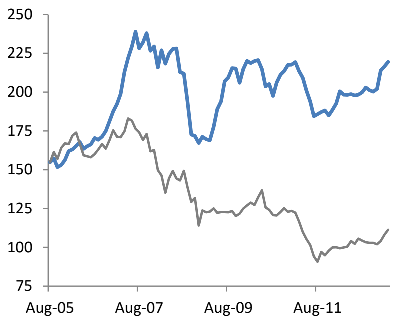
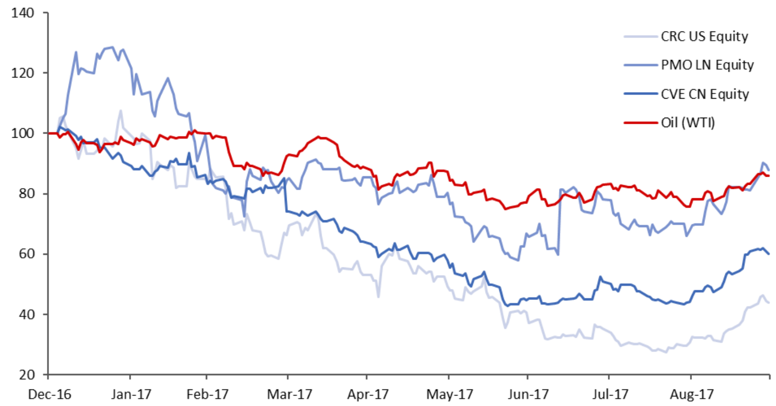
Figure 4: **LTIF Stability Growth TR CHF vs.** HFRX Global Hedge Fund Index CHF



The oil-related shares dropped sharply with the drop in the oil price, and are far from following its recovery (Figure 6). As we mentioned in the previous Newsletter, we do not doubt that oil prices will be higher in the medium term and the market is slowly coming around to our point of view. It is a fact that if the oil price stabilizes well above $60 per barrel within a few quarters, which we believe it will, our shares' price will more than double. Therefore, our investment in these shares might not be large (less than 8% of the fund), but its impact on the valuation might be.

Figure 6: share prices of California Resources Corporation, Premier Oil, Cenovus, and oil (WTI), ytd, normalized at inception, in euro



One share whose price has dropped meaningfully this year is Pandora (-32%). We explained in the Newsletter last year why we thought it was a good investment. We have not changed our mind, and have been buying more shares as the price dropped. We believe part of the market is scared because many "fashion stocks", such as Abercrombie and Fitch or Aéropostale, suddenly go out of fashion and crash. We think Pandora is a different story, as it has an extremely powerful industrial capacity and a fast-developing integrated distribution network. So far, nothing in the figures makes us think we are wrong. However, we'll see. For the time being, the company has a PE of 11 and pays more than 7% in dividends, has no debt and increasing sales and profits.

Finally, Tata Motors has been a disappointment this year, not only in terms of its share price evolution, but also from a business point of view. We bought the shares based on two points: the company had the best plan for new model introduction of all the major players, and the shares were very inexpensive. We have been proven correct on the first point: All the Jaguar and Land Rover models introduced in the last two years have been a success. But management problems have plagued the company: First, a weird board battle between the chairman and the Tata family (the chairman eventually lost), and then an extremely ill-advised hedging strategy that bet on the British pound increasing just before the Brexit referendum. Well, we know what has happened there! One needs to take these things in your

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stride and be patient, because in the world of businesses things do not always work out as planned. However, the hedging losses have been so large that they have pretty much wiped out the profits from the new launches. We still hold the shares, because they are clearly inexpensive and the company's good points are still relevant. In early October, the Indian Government contracted Tata Motors to supply it with 10,000 electric cars. Nevertheless, it has not been a good investment.

Regarding the essence of our investments, however, we are pleased. The overall economic situation is very positive, with all main markets growing above trend. Developments at MTU are especially positive with the boom in the short-range Airbus 320neo, whose engine they helped build, and a very profitable increase in the maintenance business. Wienerberger is participating fully in the recovery of the European construction industry — especially in Eastern Europe, which is important for them as its industry collapsed during the crisis. EZJ has grown its capacity by more than 9% this year and is maintaining an occupation of almost 95%. Visa has grown its sales by more than 10%, taking full advantage of the "digitalization" of commerce; and a long etcetera.

We haven't done much trading, as usual: We sold Glencore, which had gone up a lot, although we're pretty sure we'll buy it again, but at a lower price. We used the money to add to some positions (Pandora, Air Liquide) and bought Draegerwerk again. In our June newsletter, we mentioned that we were selling it due to its valuation, but that we'd be happy to buy it back if the price were to drop. That's what happened — the price promptly went down by almost 20%. We checked with the management that nothing unusual had occurred and bought our shares back. Currently, the price is approaching its previous level — again for no clear reason. This is not how we try to make our money — we are strategic investors — but if we can make 15% per quarter with a share we know very well, we'll take it.

The Natural Resources fund

This fund's shares have seen a big turnaround this quarter (+15% in euro) after a dismal performance at the beginning of the year. More than in other cases, short-term price movements are not very meaningful here. What is interesting, however, is that the long "bear market," which started for most metals in early 2011, is now slowly coming to an end. The wonderful years 2005-2010 showered miners with profits, which were quickly reinvested in more mines, causing most commodity prices to crash. But the lack of investment since then has corrected the situation. Zinc is in deficit, and there are no big projects on the horizon. The same applies to nickel, although there are large stocks that prevent the price from rising, but those inventories are decreasing fast. Copper is approaching equilibrium, or even deficit, and, again, no big projects will be completed within the next few years. Something similar is happening to oil. Consequently, although subject to high volatility, we believe this fund could offer very good results over the next 3 to 5 years.

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Our view from here:

As we mentioned, the world economy, especially in Europe and Asia, is doing very well. We can reasonably expect the recovery to last long, because the crisis was very deep and the initial recovery, particularly in Europe, was very weak. There is still plenty of slack in the economy, which will allow growth without inflationary tendencies for quite a while.

Most important for us is that our portfolio is well balanced, can withstand all possible scenarios, and has a strong built-in profitability: We have a PE of 13, a dividend yield of 3%, and strong expected growth. With these numbers, our target of providing an average annual net return of more than 10% is very achievable.

Additional information

After 15 years we have decided to upgrade our homepage www.s-i-a.ch. If you are an existing client of us, you have the possibility to register for a password protected area called “Investor Relations”.
After your registration, we double check your contact details and send you the required password. On this part of our homepage you will be able to see our regularly updated portfolios as well as our single company notes. Please feel free to contact us for any request that you may have.

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Figures of the USD classes

Table 3: **Net Asset Value - Net assets under management in USD**

September 29, 2017	NAV	Δ 3m	Δ YTD	Annualized return (s.i.)	AUM *(in mio)* **Pool*
LTIF Classic [USD]	470.14	7.3%	12.1%	11.2%	208*
LTIF Stability A Cap [USD]	197.38	4.9%	7.4%	6.1%	208*
LTIF Natural Resources [USD]	126.73	18.7%	1.6%	-0.4%	21

Figure 6: **LTIF Classic USD**
vs. MSCI Daily TR Net World Index USD

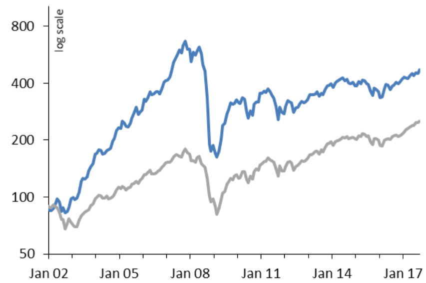


Figure 7: **LTIF Stability A Cap USD**
vs. HFRX Global Hedge Fund Index USD

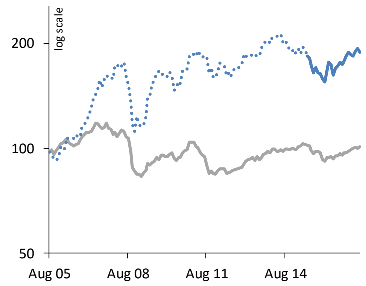
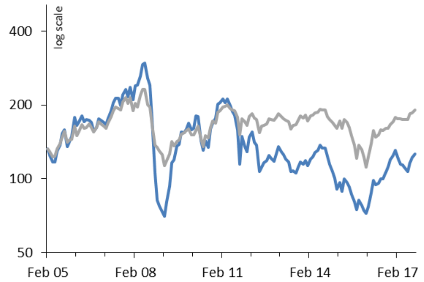


Figure 8: **LTIF Natural Resources USD**
vs. S&P Global Nat. Res. Net TR Index USD



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Figures of the CHF classes

Table 4: **Net Asset Value - Net assets under management in CHF**

September 29, 2017	NAV	Δ 3m	Δ YTD	Annualized return (s.i.)	AUM *(in mio)* **Pool*
LTIF Classic [CHF]	454.90	8.4%	6.8%	7.5%	201*
LTIF Natural Resources [CHF]	122.63	20.0%	-3.3%	-1.8%	21
LTIF Stability Growth [CHF] *(Total return, dividends included)*	220.10	6.7%	4.7%	3.8%	5

Figure 9: **LTIF Classic CHF**
vs. MSCI Daily TR Net World Index CHF

Figure 10: **LTIF Stability Growth TR CHF**
vs. HFRX Global Hedge Fund Index CHF

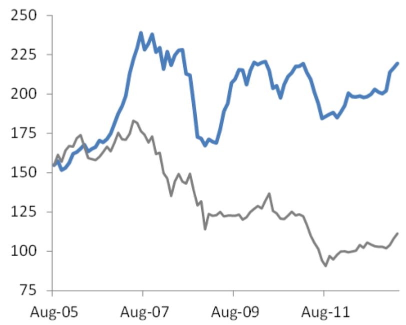
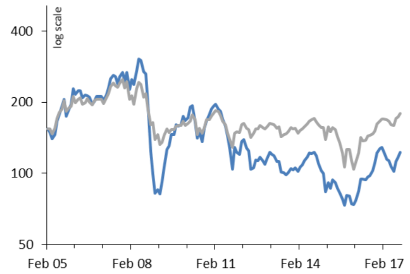


Figure 11: **LTIF Natural Resources CHF**
vs. S&P Global Nat. Res. Net TR Index CHF



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Figures of the GBP classes

Table 5: **Net Asset Value - Net assets under management in GBP**

September 29, 2017	NAV	Δ 3m	Δ YTD	Annualized return (s.i.)	AUM *(in mio)* **Pool*
LTIF Classic [GBP]	350.42	3.8%	3.3%	11.7%	155*
LTIF Natural Resources [GBP]	94.47	15.0%	-6.4%	2.6%	16

Figure 12: **LTIF Classic GBP**
vs. MSCI Daily TR Net World Index GBP

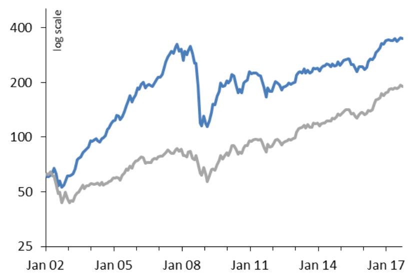
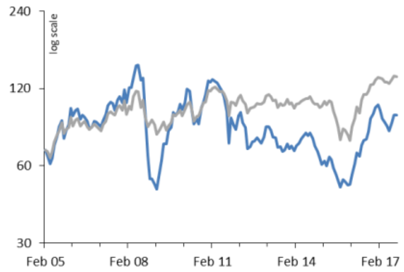


Figure 13: **LTIF Natural Resources GBP**
vs. S&P Global Nat. Res. Net TR Index GBP



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