



Long Term Investment Fund
Socially Responsible Investing (SRI)

Value Investing with Values

January 2020

- **Think and act like an owner**
- Portfolio construction
- Expected returns and owner's reporting
- An update on Natural Resources
- Value Investing with Values
- Appendix 1: our funds

Key message: if approached as a business owner, equities can be a high return, low risk investment.

- We are **socially responsible investors** in businesses and want to make money by making our capital bearing fruits
- Difference between investing and speculating
 - Investing: Acceptably profitable income streams
 - Speculating: Assets that will go up
- Both can be highly profitable
- We only do the first

So basically **we buy good companies at inexpensive prices that meet specific socially responsible criteria's**. Bad businesses are usually bad investments at almost any price.

- We don't look for "shares that will go up"
- We neither "play the markets" nor look for "catalysts" or in any way put our investors' money in the hands of future price movements
- We never "chase" the markets. We use markets' prices as opportunities to buy or sell. We never act on a view on what the markets will do, because we don't know

WE BUY BUSINESSES, NOT SHARES

We force ourselves to think as owners

*"It happens, however, that the energies and skill of the professional investor and speculator are mainly occupied otherwise. **For most of these persons are, in fact, largely concerned, not with making superior long-term forecasts** of the probable yield of an investment over its whole life, but with foreseeing changes in the conventional basis of valuation a short time ahead of the general public.*

They are concerned, not with what an investment is really worth to a man who buys it for "keeps", but with what the market will value it at, under the influence of mass psychology, three months or a year hence."

JM Keynes, The general theory of employment, interest, and money, 1936

- Quoted Equity facilitates enormously diversification across sectors, sizes, and geographies. By definition all quoted stocks are available for investment, only limited in practice by investor's size. Transactions costs (for a long-term investor) are negligible.
- On the other hand, Private Equity is very limited in its targets by geography, size, and availability. Transactions costs are extremely high.
- In addition, Public Equity offers excellent liquidity, which is very important when planning long-term.

- Private Equity is sometimes seen as “less volatile” than Quoted Equity, and therefore as having a better risk/reward profile
- But volatility is not the same as risk, and Quoted Equity is actually less risky than Private Equity, often with better long-term returns when risk adjusted
- It is essential to understand the difference between “profits” and capital appreciation

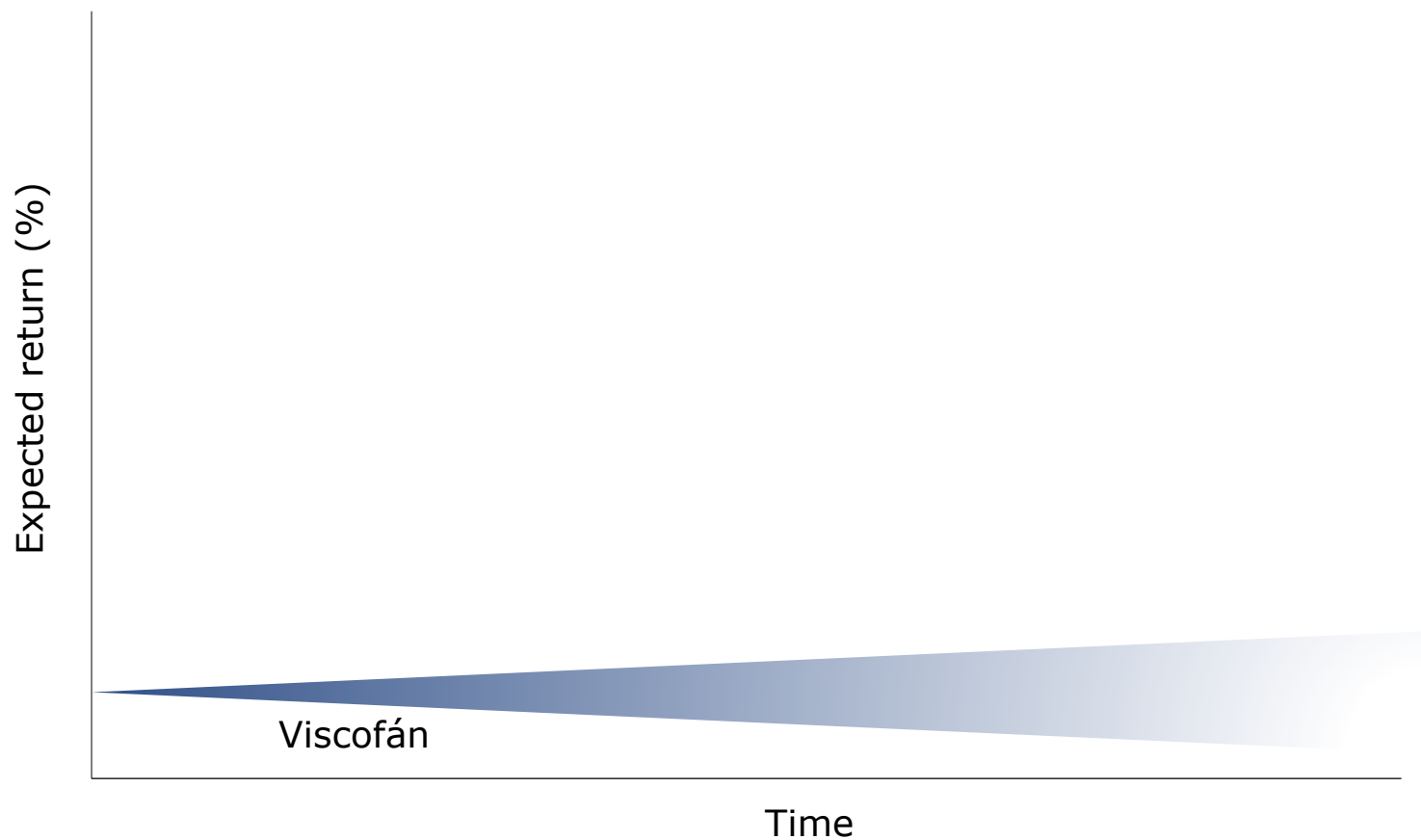
“Making money while the market drops”

- A “good company” for us is one that delivers a return on equity well above its cost of capital, adjusted by risk, over the cycle
- This only happens when companies’ profits are protected by barriers to entry, i.e., ***when supply has structural difficulties to follow demand:***
 - Economies of scale
 - Privileged access to raw materials or clients
 - Proprietary products or processes
 - Reputation effects
 - Long lead times to add capacity
- In the end, companies earn returns above their cost of capital only if they are somehow protected from full competition
- To determine if that will be the case, a thorough understanding of the competitive dynamics of the sector is necessary
- **This is essential to avoid value traps: for instance, European banks, utilities, & telecom in the last few years...**

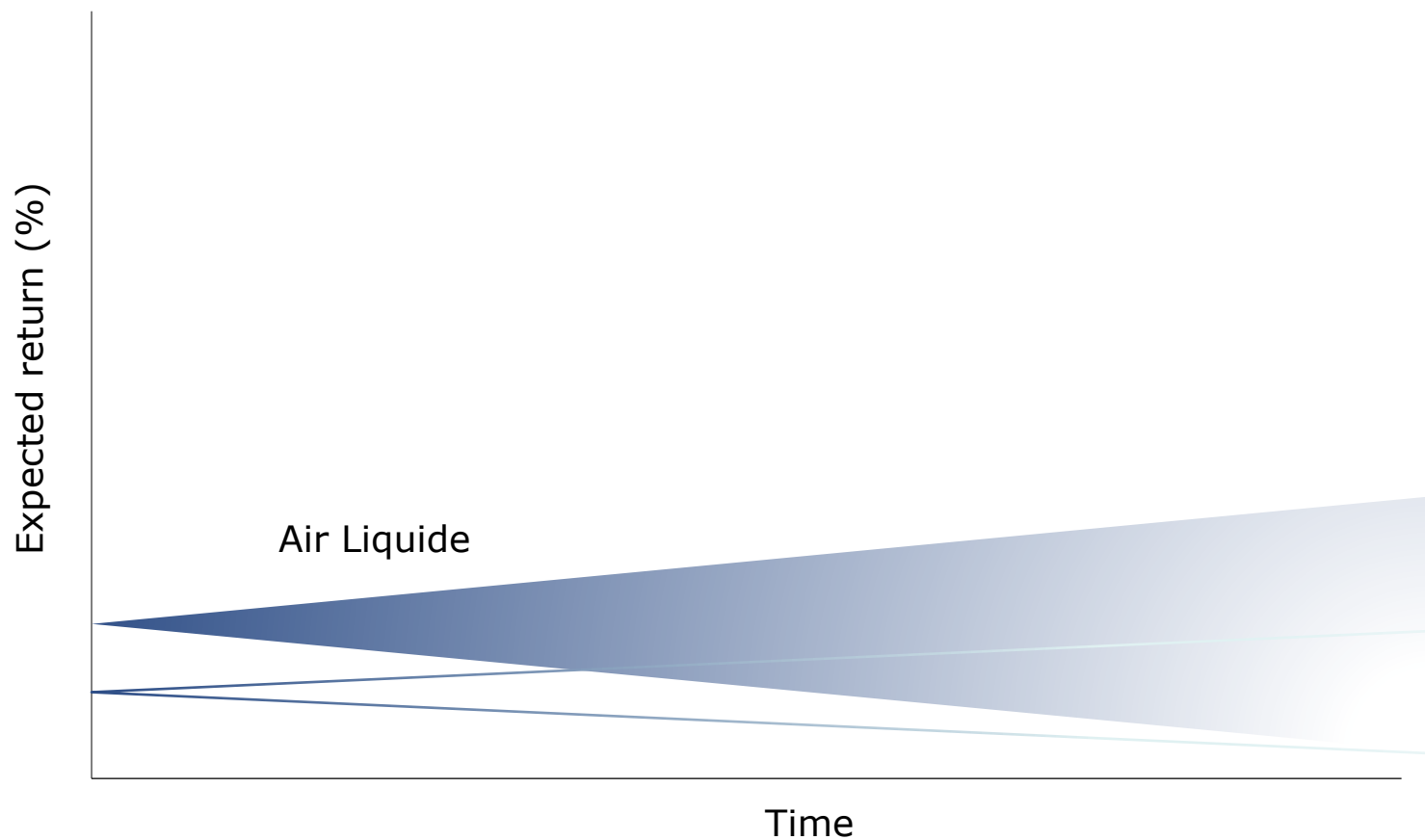
We start our portfolio construction by determining the “risk-free” stocks’ Expected Return

- Step 1: determine the category of stocks with the least fundamental risk:
 - Technological
 - Business
 - Cycle
 - Forex
 - Regulation
 - Financial
- This stock should have a relatively certain Expected Return
- Step 2: determine the stocks’ Expected Return
- Step 3: Determine the appropriate Return Spreads for the different levels of risk

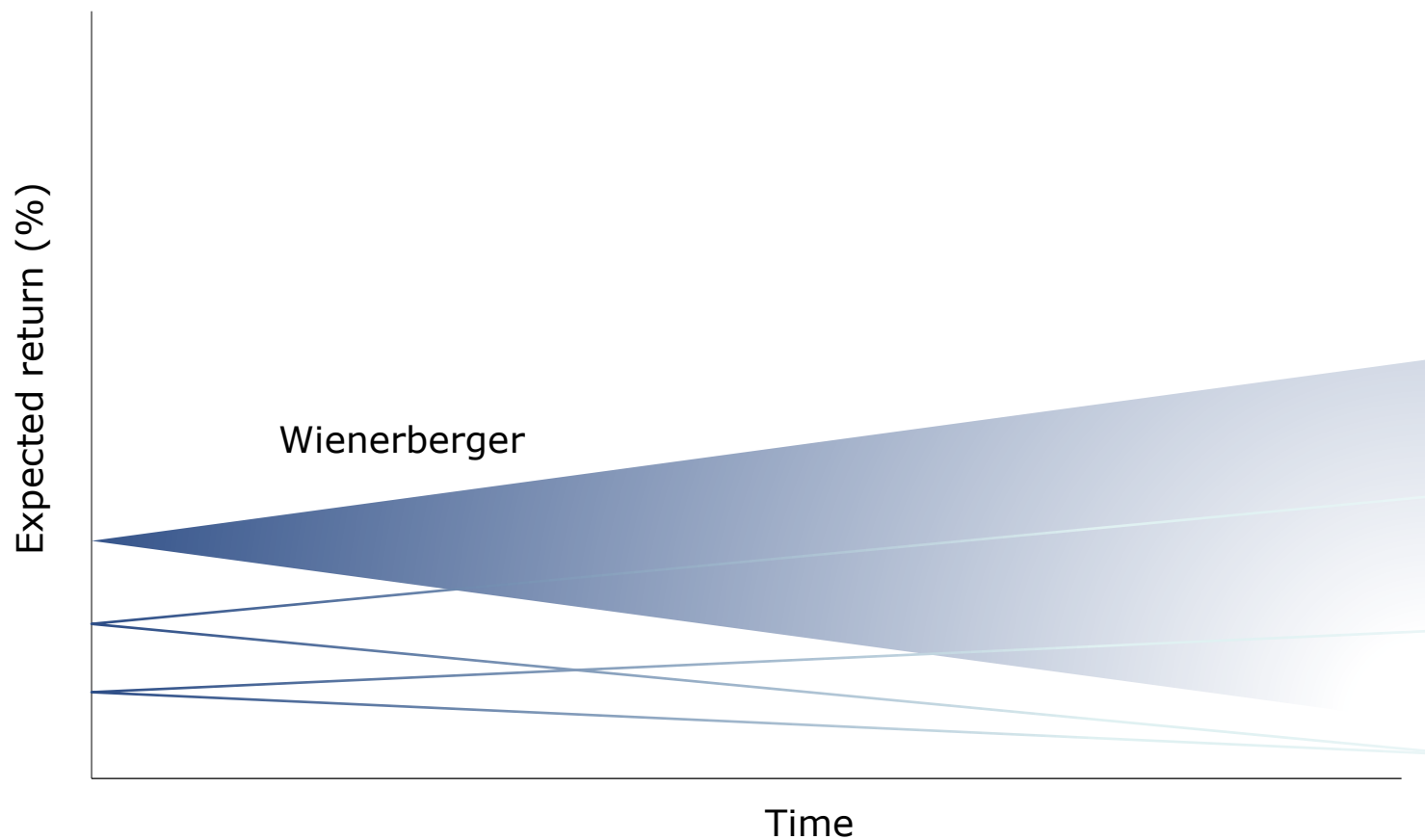
We then consider risk (not volatility!)



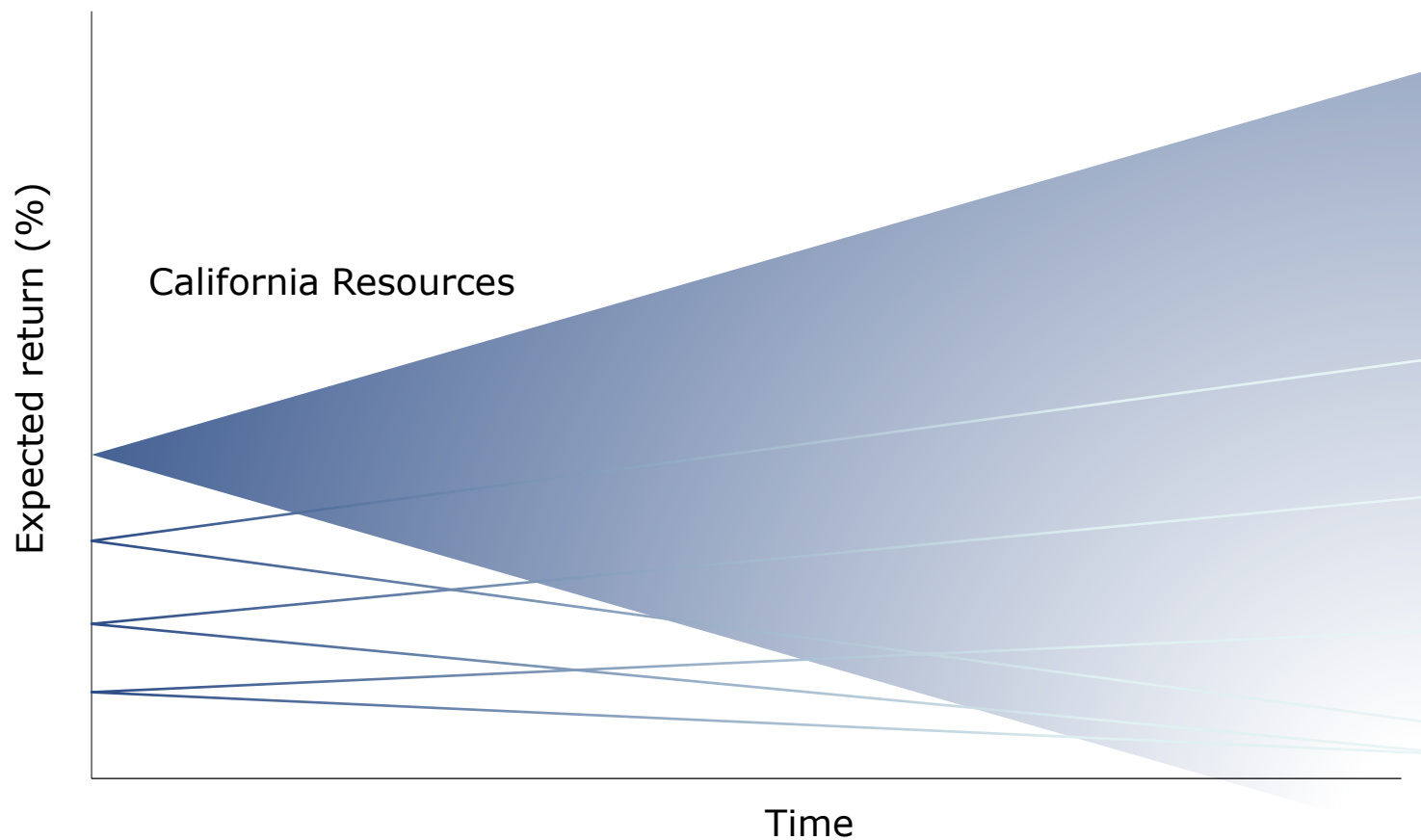
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We then consider risk (not volatility!)



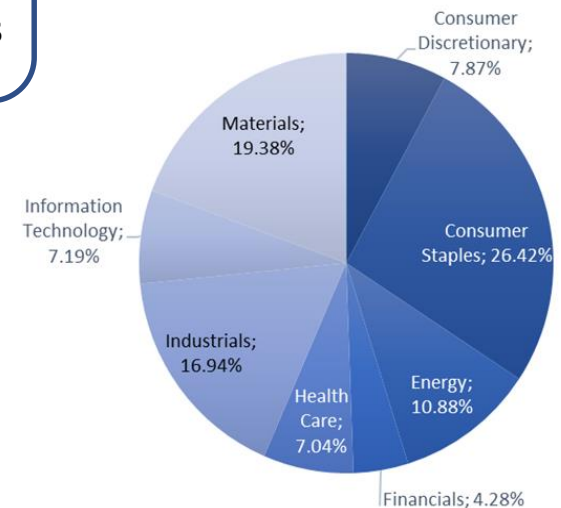
Global Equity Fund based on the principles of Strategic Value Investing

Not indexed, with a high active share

Sector weights are not preset, they will vary according to market opportunities

Fundamental approach to buy companies, not shares

Target to be 100% invested all the time



If approached as a business owner, equities are a high return, low risk investment

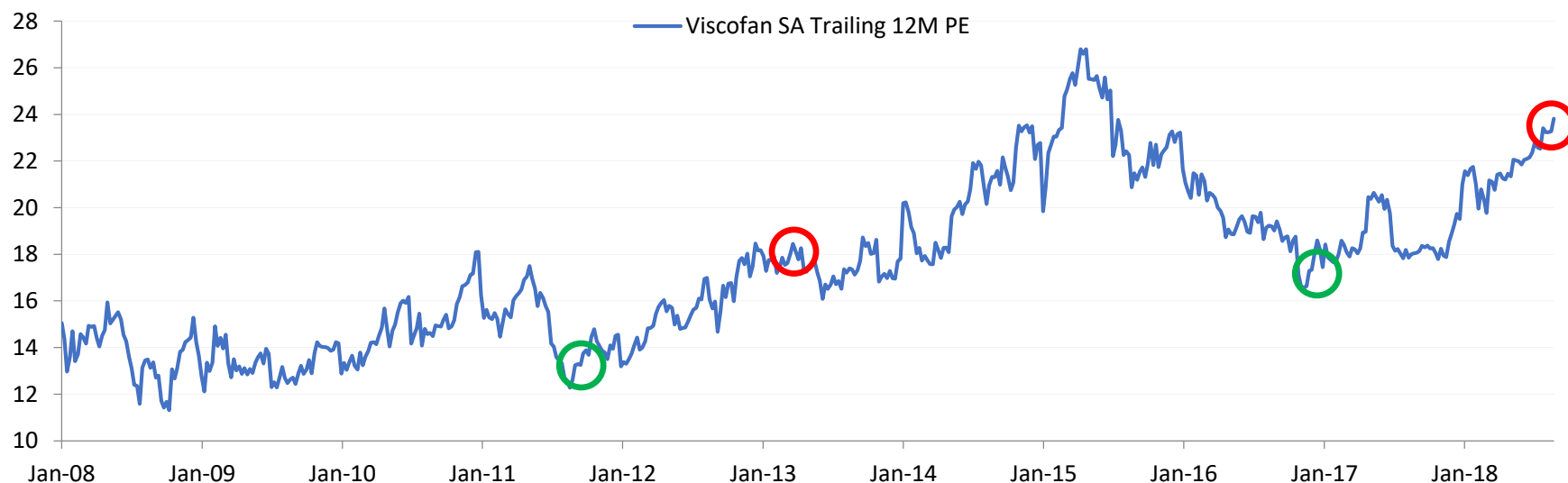
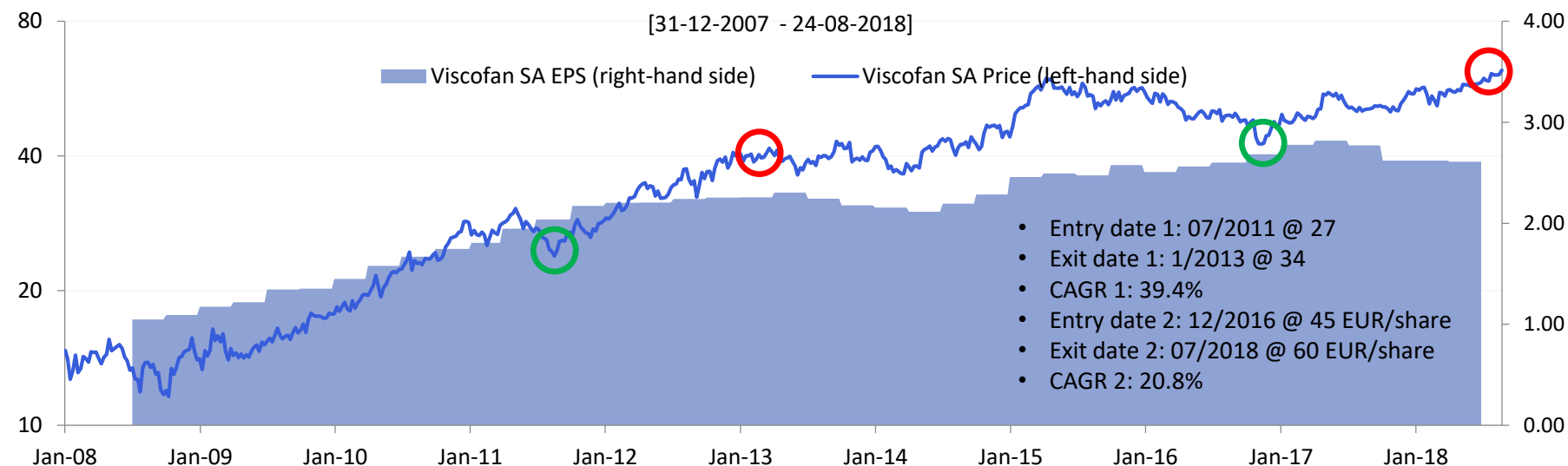
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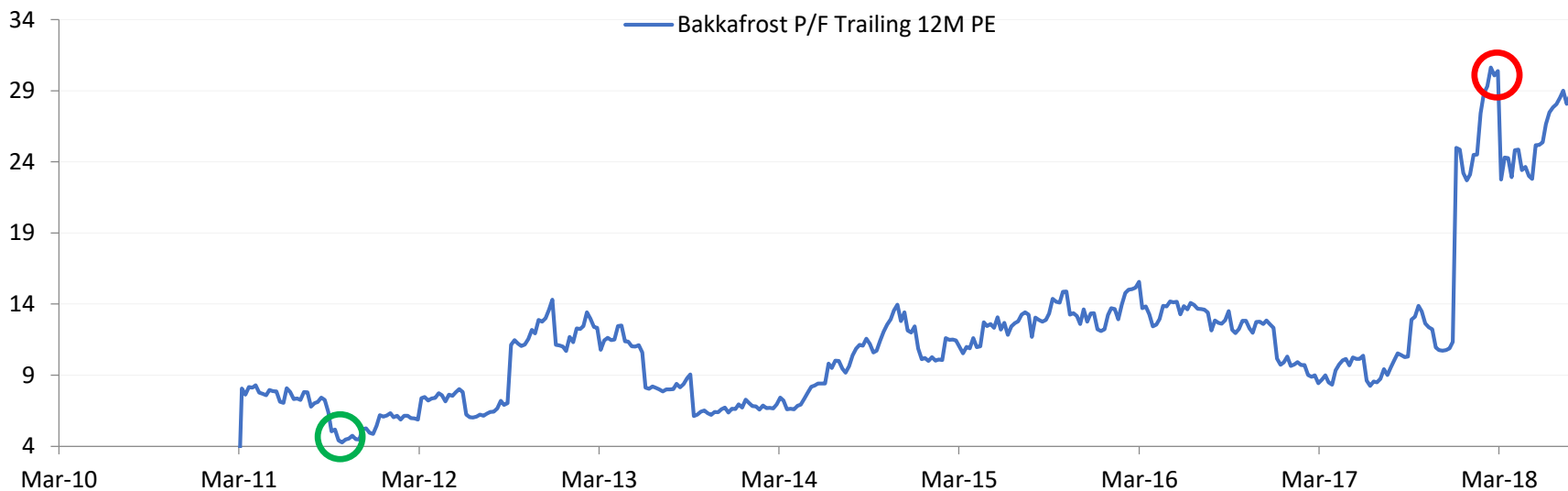
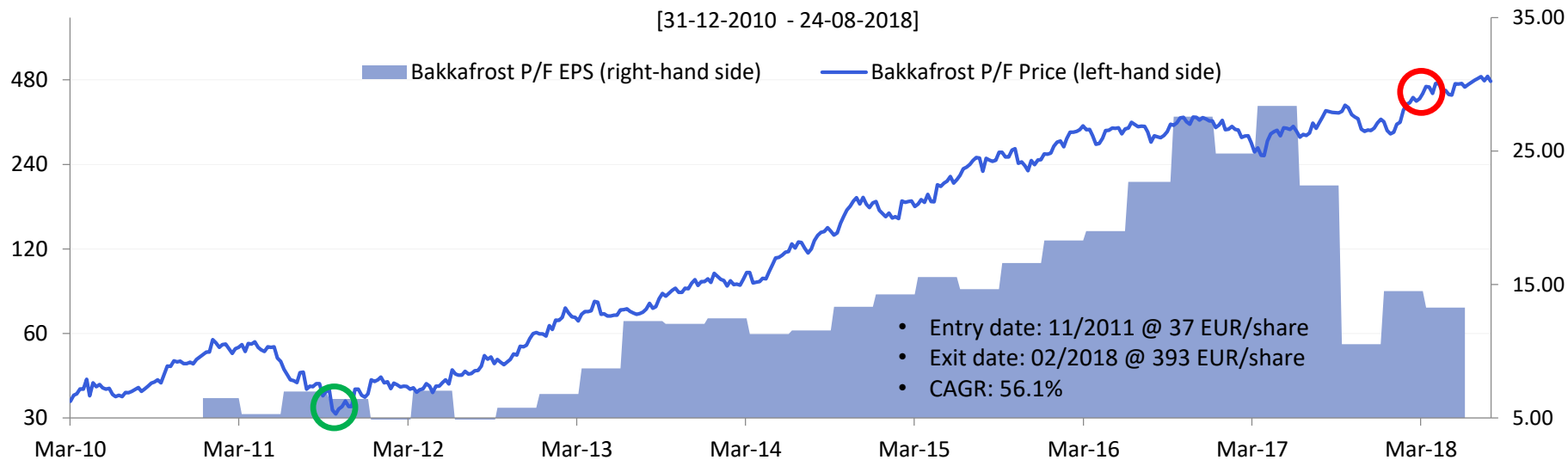
An adequate mix of categories helps us keep a balanced portfolio

Fallen angel: Viscofan



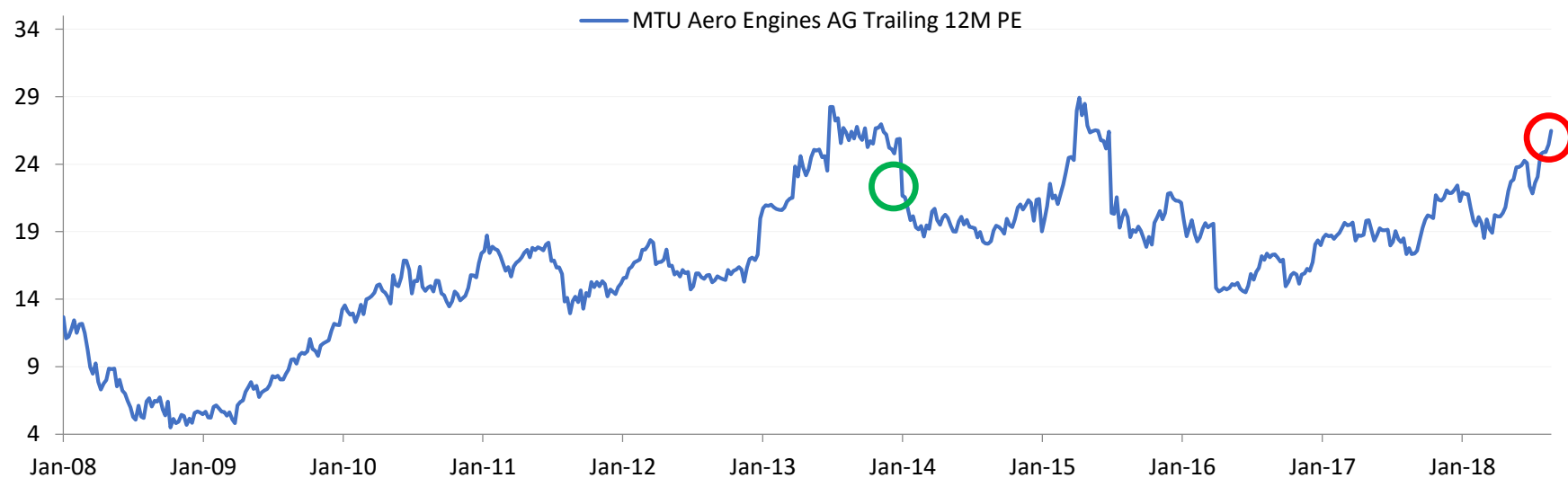
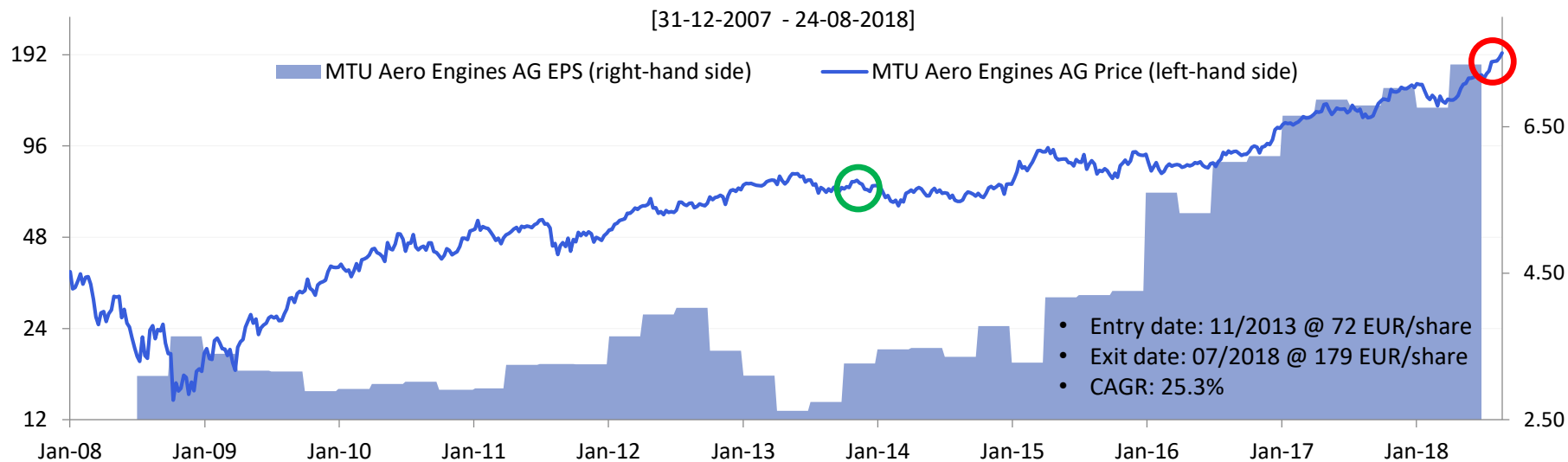
Source: SIA Group / Bloomberg

Regime change: Bakkafrost



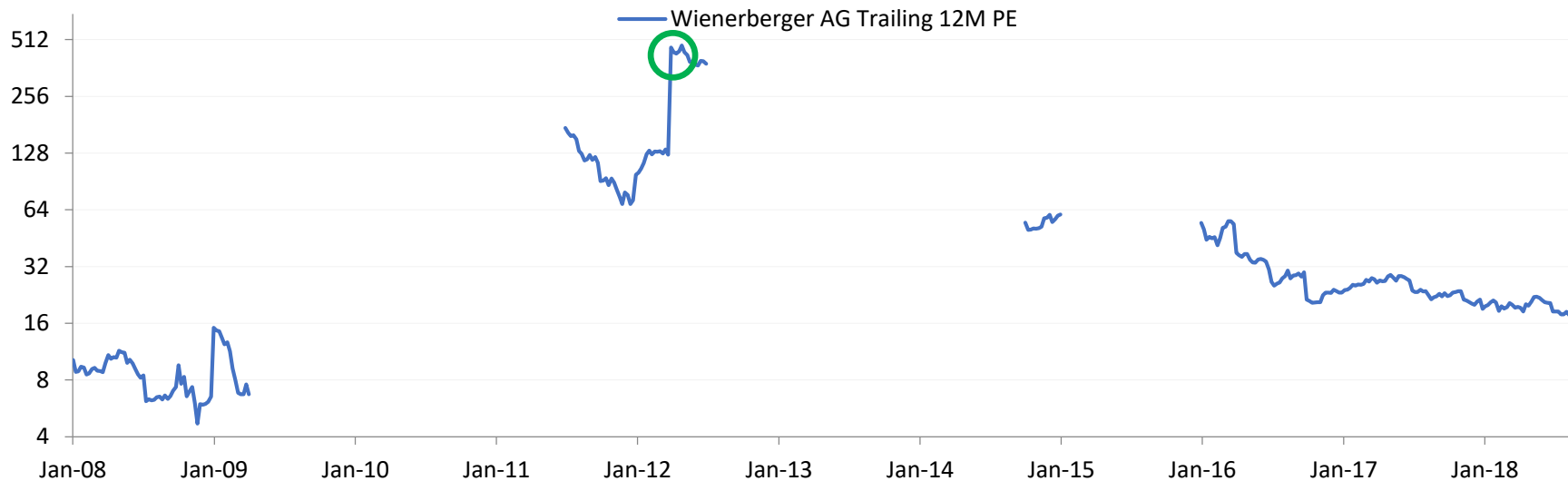
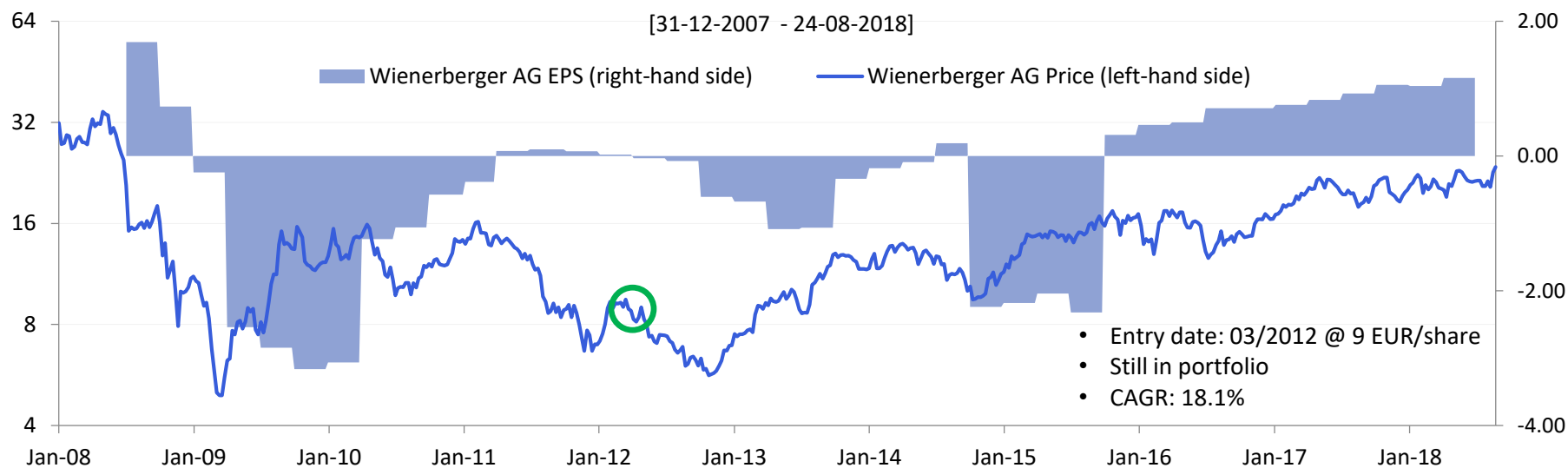
Source: SIA Group / Bloomberg

When profits are seen as too far away: MTU Aero Engines



Source: SIA Group / Bloomberg

Cyclical as structural: Wienerberger



Source: SIA Group / Bloomberg

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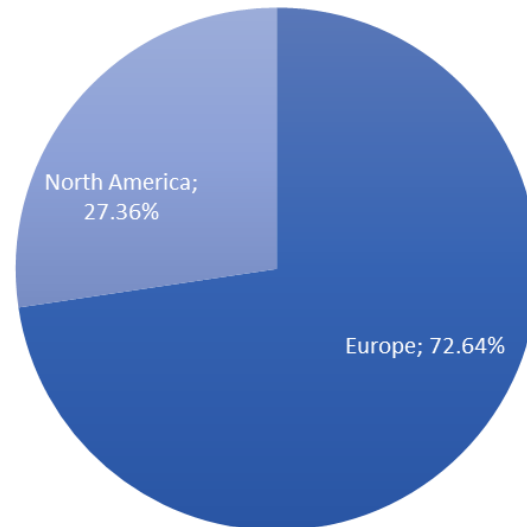
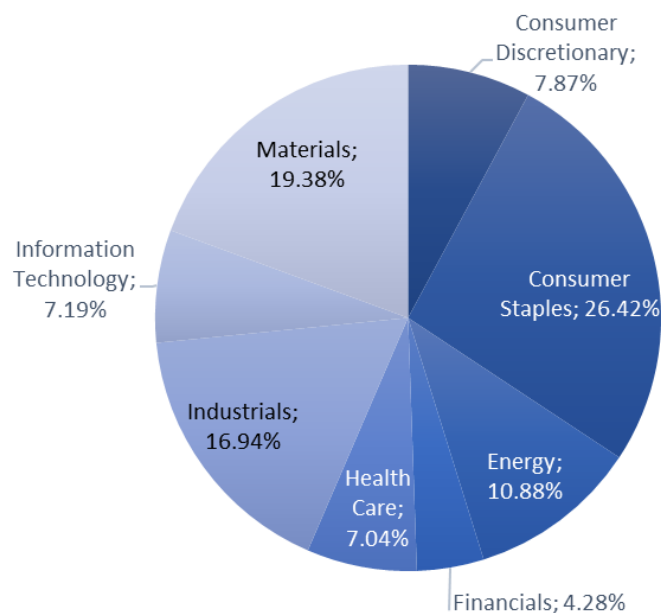
Key message: if approached as a business owner, equities can be a high return, low risk investment.

We expect double digit returns for the future

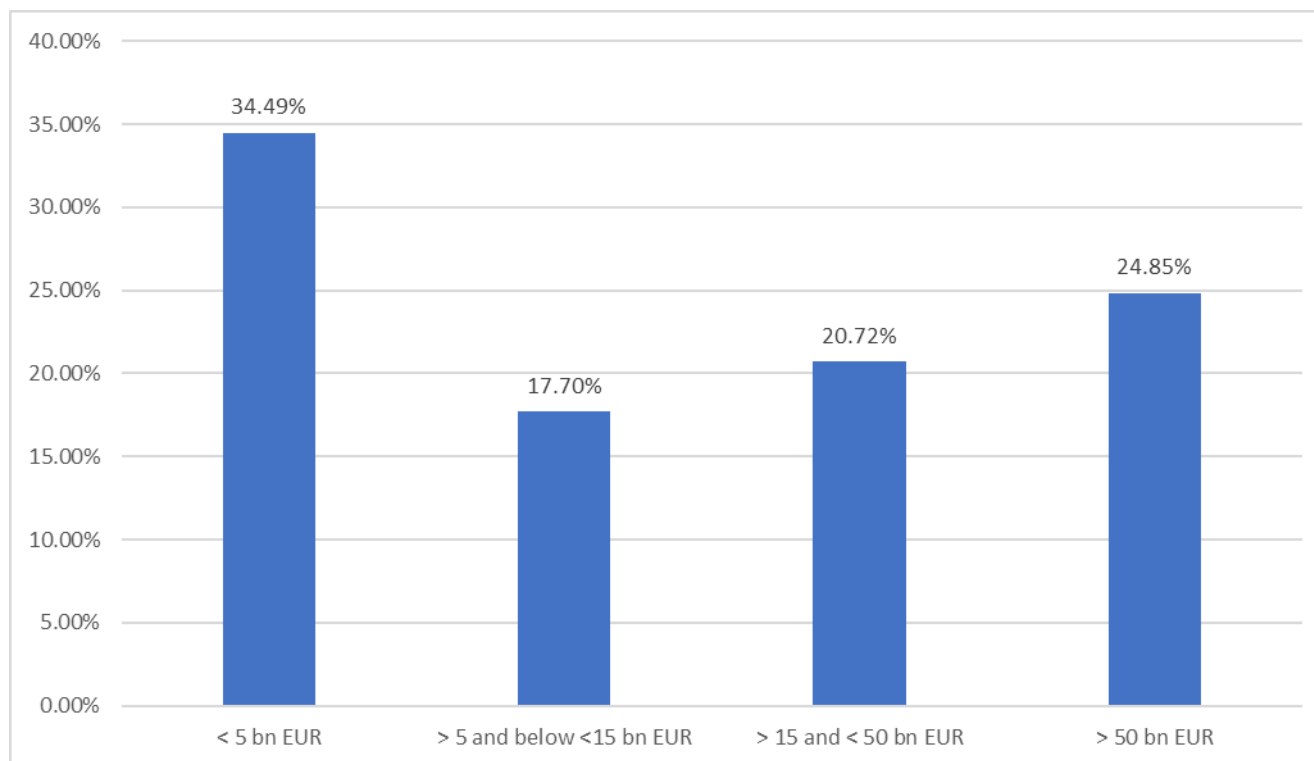
Table with category 1, 2, 3, 4, with their expected returns, as well as the total of the portfolio of the LTIF Classic
(as of 31th December 2019)

Category	Equity	E(r)
1	25.1%	10.0%
2	27.1%	11.8%
3	36.0%	15.3%
4	11.8%	50.1%
Overall	100.0%	17.1%

Portfolio composition, by SIA sector classification & Regions for the LTIF Classic (as of 31th December 2019)



Source: SIA Group / Bloomberg



- Our investment philosophy has proven itself with many investors over many years
- We possess the requisite analytical skill, both strategic and financial
- We provide a thoroughly transparent, owner-oriented reporting and information
- Our medium size allows us to both have enough resources and total concentration on a number of clients
- We can exploit relatively small opportunities
- We have a track record to back our claims:

	MSCI AC World Index TR Net		LTIF Classic	
	EUR	USD	EUR	USD
Value at 14 th January 2002	86.8	82.7	100.0	89.5
Value at 30 th December 2019	236.1	282.3	434.2	487.4
Difference (%)	172.1%	241.4%	334.2%	444.9%
Annualized return (%)	5.8%	7.1%	8.6%	10.0%

Source: SIA Group / Bloomberg

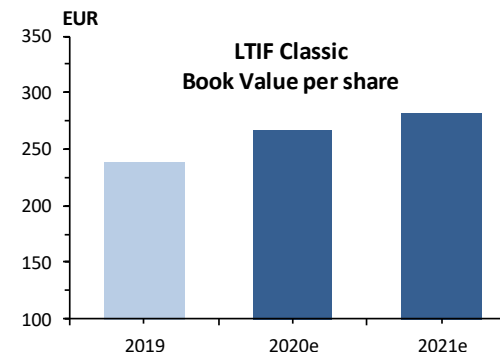
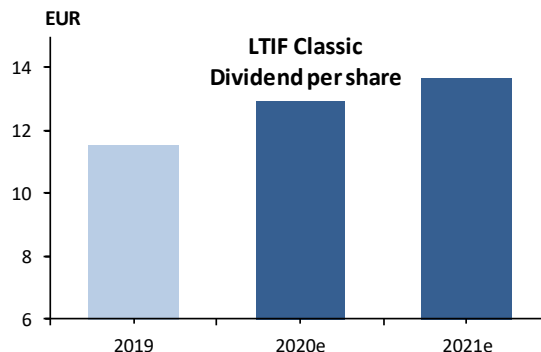
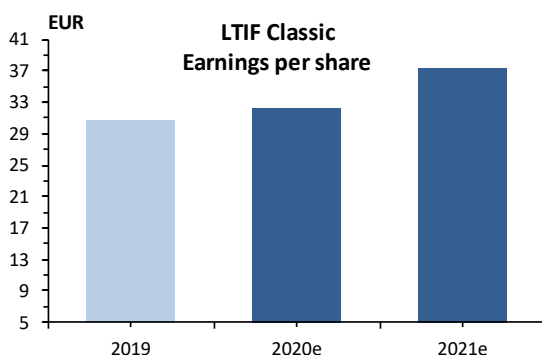
Reporting LTIF Classic as of 31.12.2019 (aggregated data in EUR)

Date	NAV	%
31.12.2017	408.8	2.9%
31.12.2018	348.2	-14.8%
31.12.2019	434.2	24.7%

Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2019	30.8		14.1	7.2%	20.6	4.8%
2020e	32.3	5%	13.5	7.4%	16.5	6.0%
2021e	37.3	16%	11.6	8.6%	13.0	7.7%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2019	11.5		2.7%	2.3%
2020e	12.9	12%	3.0%	2.7%
2021e	13.7	6%	3.2%	2.5%

Year	BPS	%	P/B	MSCI World P/B
2019	238.9		1.8	2.6
2020e	266.8	12%	1.6	2.4
2021e	281.3	5%	1.5	2.3



Source: SIA Group / Bloomberg

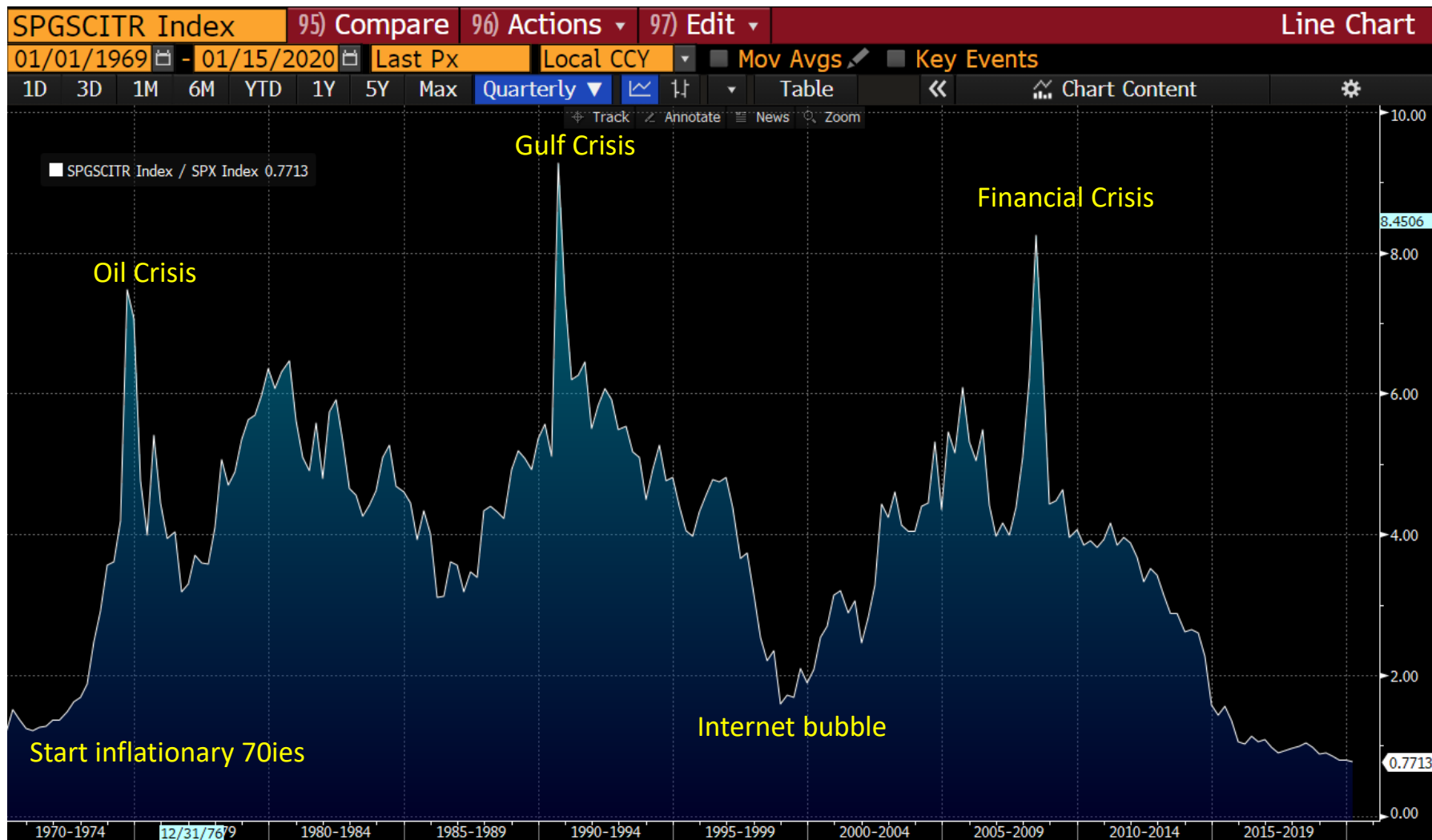
- Target of double digit returns
- Extremely low fundamental risk: “don’t lose money”
- Owner approach to investing: long-term, focus on profit growth and not share price movements
- Balanced portfolio across risk levels

SIA adds value by taking a long-term approach, applying strategic analysis and discriminating opportunities from value traps

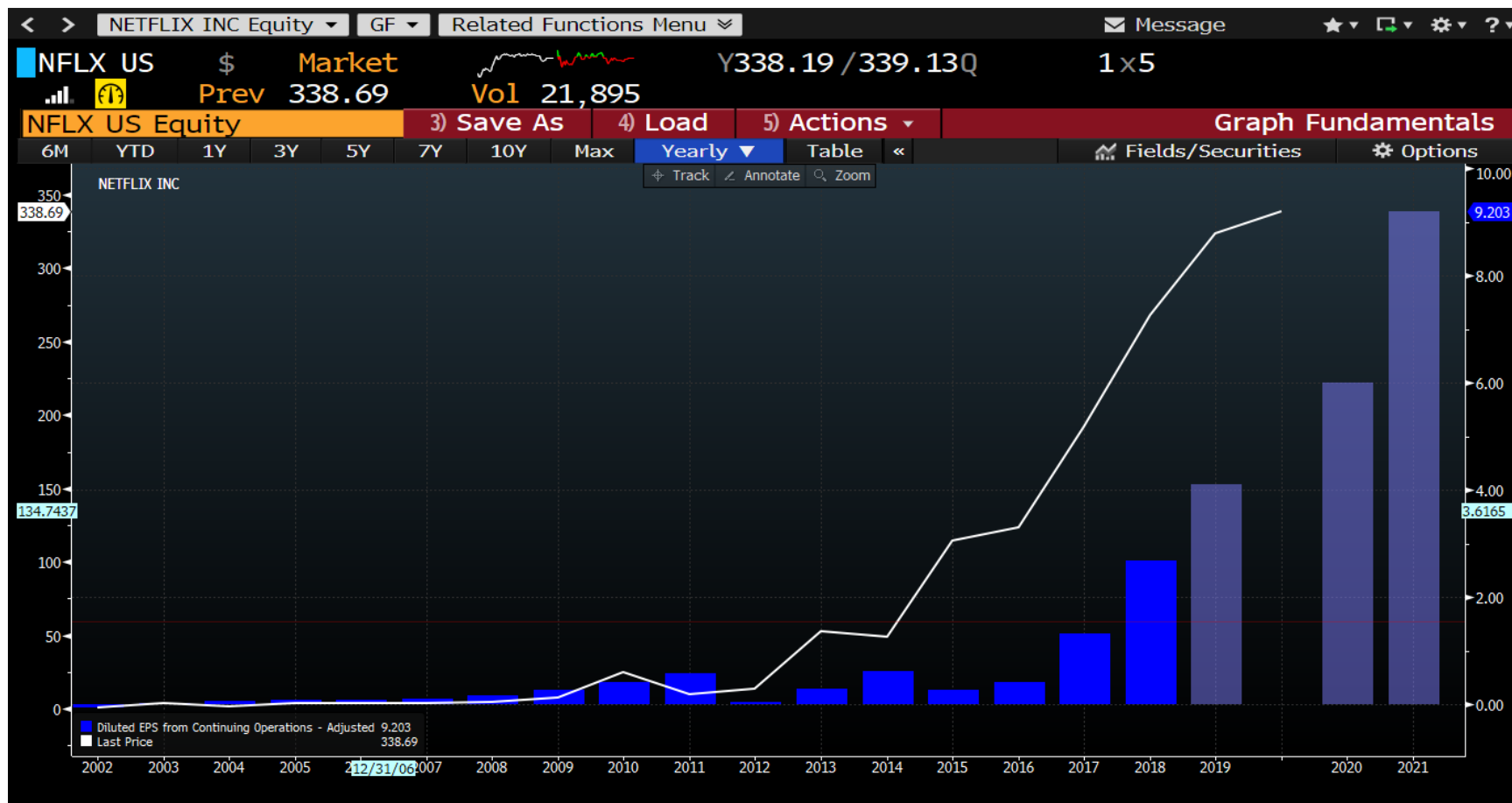
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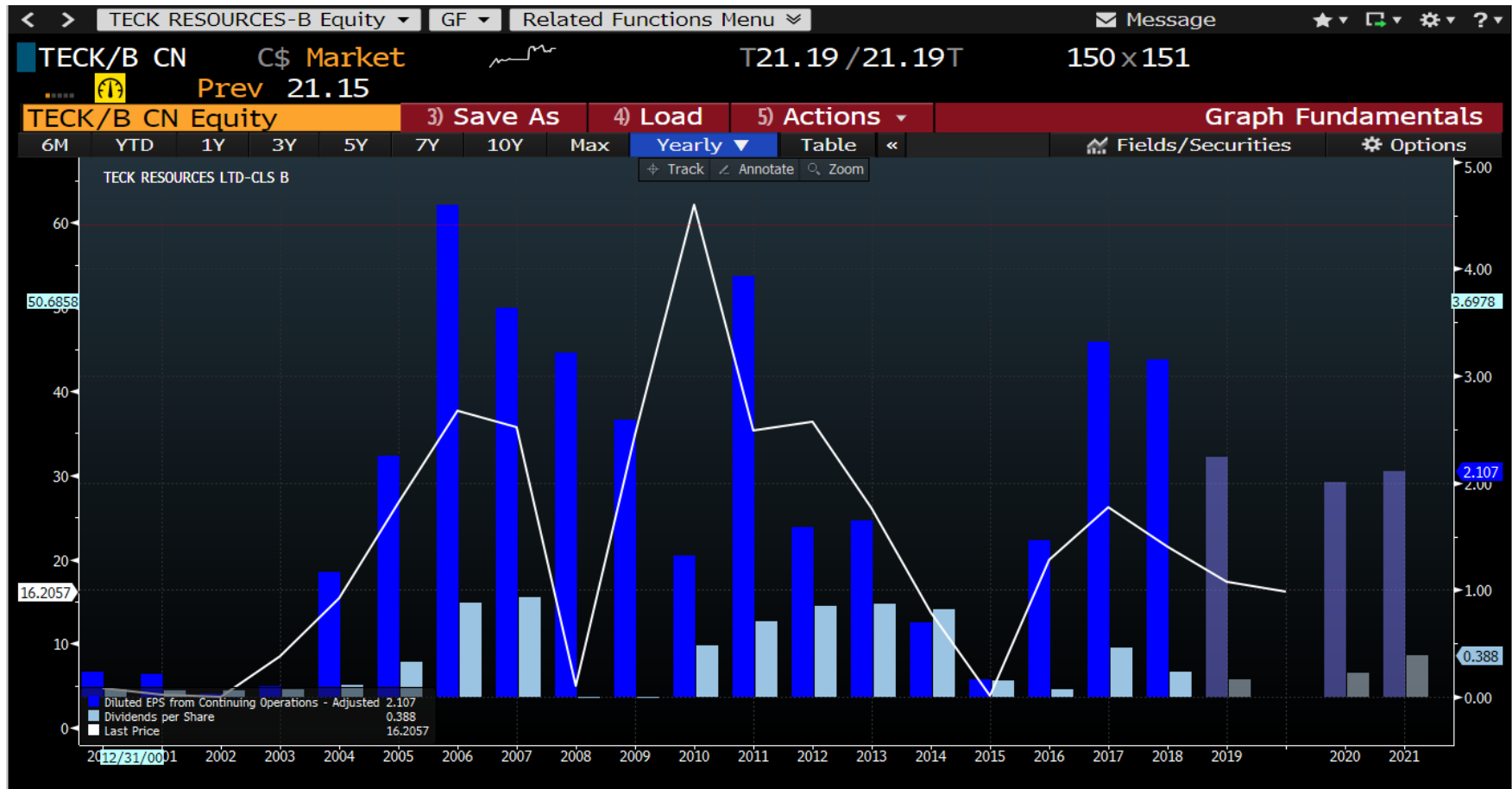
GSCI/S&P500 Ratio: As cheap as it can get?



Source: Bloomberg



Source: SIA Group / Bloomberg



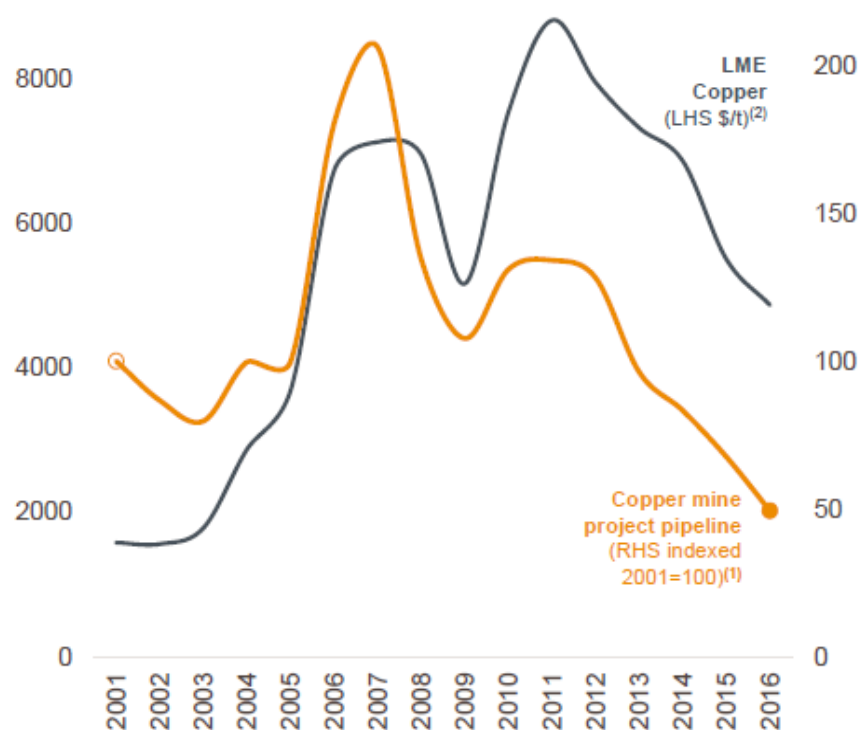
Source: SIA Group / Bloomberg

Price vola of Dr. Copper is a 0 indicator for demand

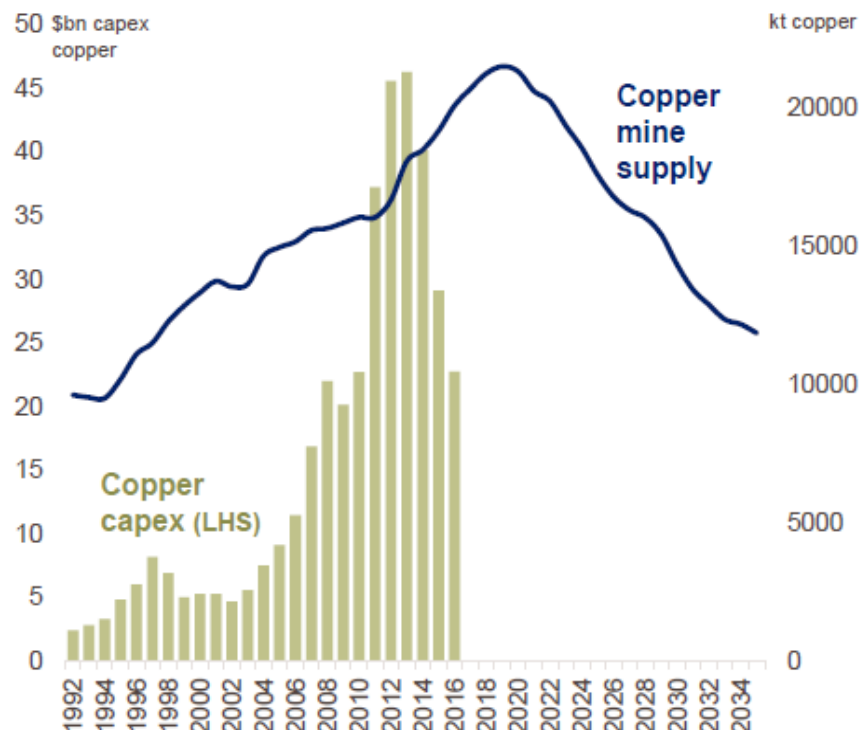


Sustaining copper mine supply is progressively more challenging

Copper mine project pipeline now below pre-supercycle lows



Supply is peaking in 2018 and declines thereafter at 3.5% CAGR with no reinvestment ⁽³⁾

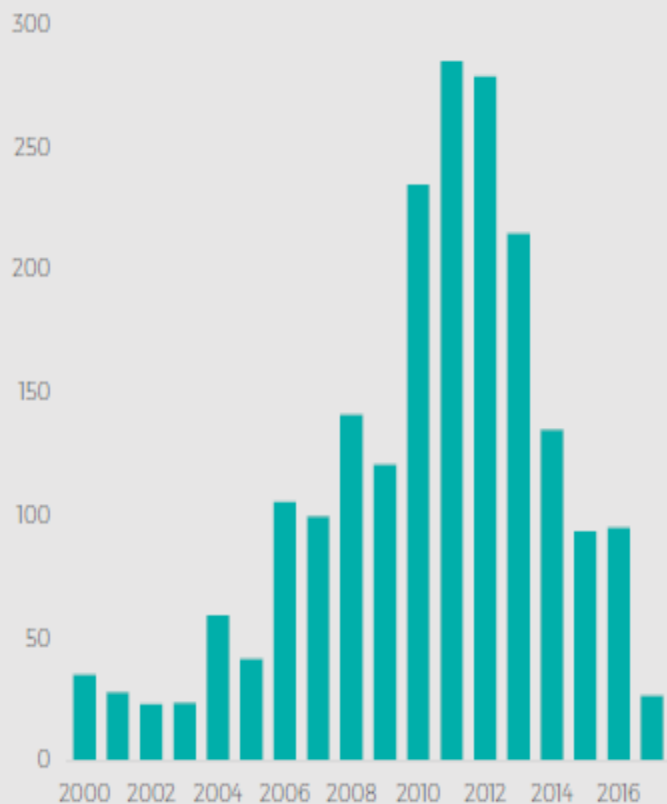


Source: (1) Copper mine project pipeline comprises the total production volume of projects categorised as highly probable and probable by Wood Mackenzie's Global copper long-term outlooks from 2001 to 2016, indexed change from 2001. (2) Annual average LME cash copper price, source Wood Mackenzie and Bloomberg. (3) Bernstein European Metals and Mining, 8 March 2017, Copper & Gold – Not a production wall ... it's a production cliff

GLENCORE

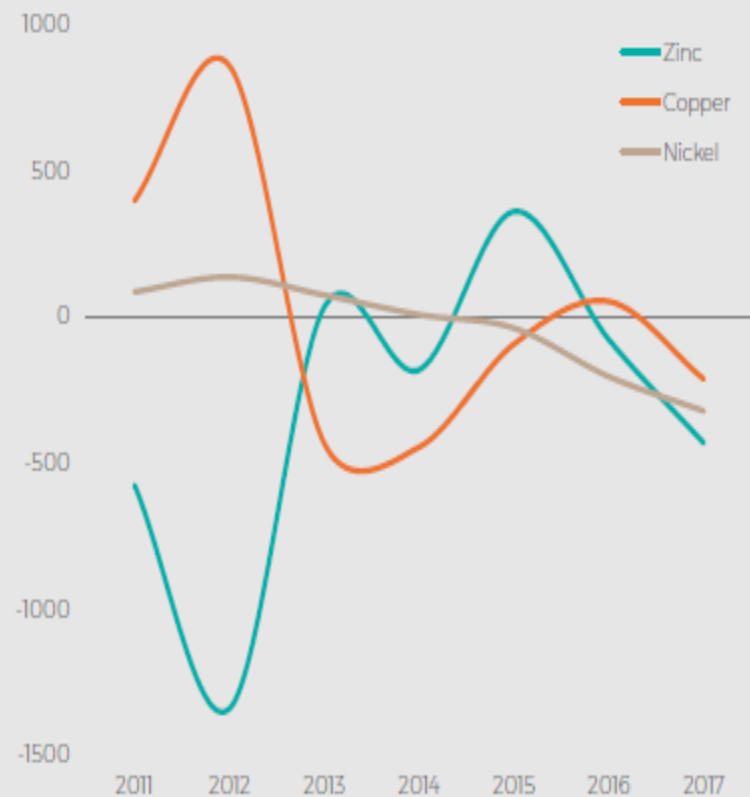
Capex has been slashed ...

Capex announcements (not annual spend)⁽¹⁾ (\$bn)



... underpinning the shift into deficit for commodities

Cumulative change in annual metal balance (kt)⁽²⁾



It will take a lot of time and a lot of money...

Sector capex plans have risen beyond trough levels but still remain low, reflecting:

- Modest capex inflation
- Remaining spend on legacy projects
- Catch-up spending
- Mine-life extensions for current operations

Volume growth challenges - large increases in capex unlikely

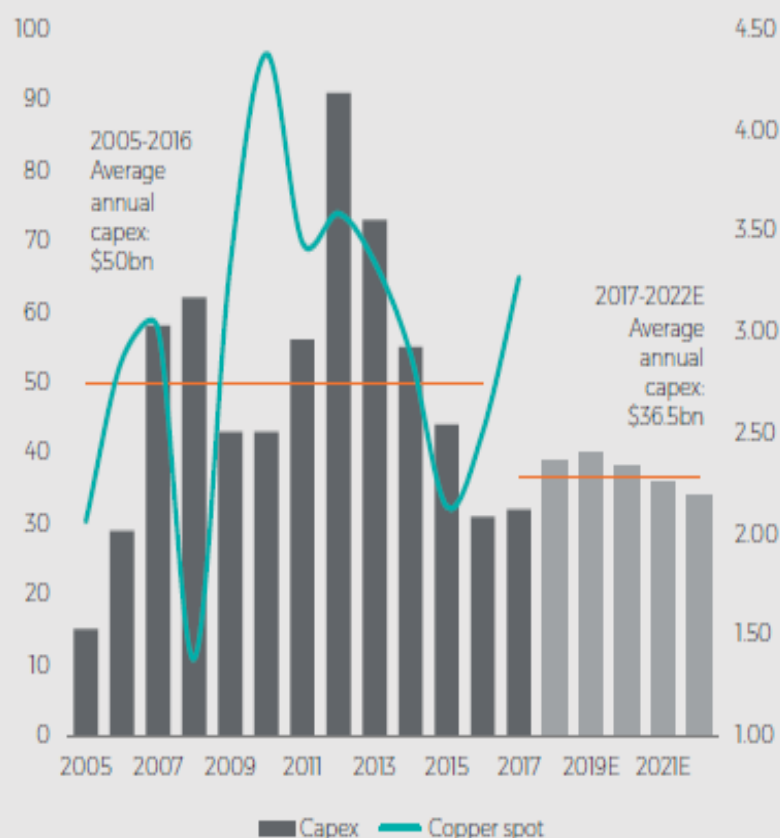
- More prudent/shareholder-friendly capex philosophy
- Lack of 'shovel ready' projects – particularly in copper/zinc/nickel/cobalt
- New growth will require miners to operate in 'challenging' geographies
- Increasing 'social licence to operate' complexity for greenfield project approvals

Capital efficient growth is key

- Sensible organic reinvestment vital to underpin long-term cash flows
- Investing with consideration for the global supply/demand balance

Lower forecast capex, but can it increase dramatically?

Total sector capex (\$bn) vs copper spot price (\$/lb, RHS)⁽¹⁾



Exploration

Discovery

Decision to move into
production

Announcement of
financing, dillution,
hedging

**Spent \$ can be bought for
Cents**

Cashflow starts kicking in

Debt is being reduced

**Dividends are being
announced**

Production
fades

Expansion is
needed

Going
underground

New pits

Cost overrun

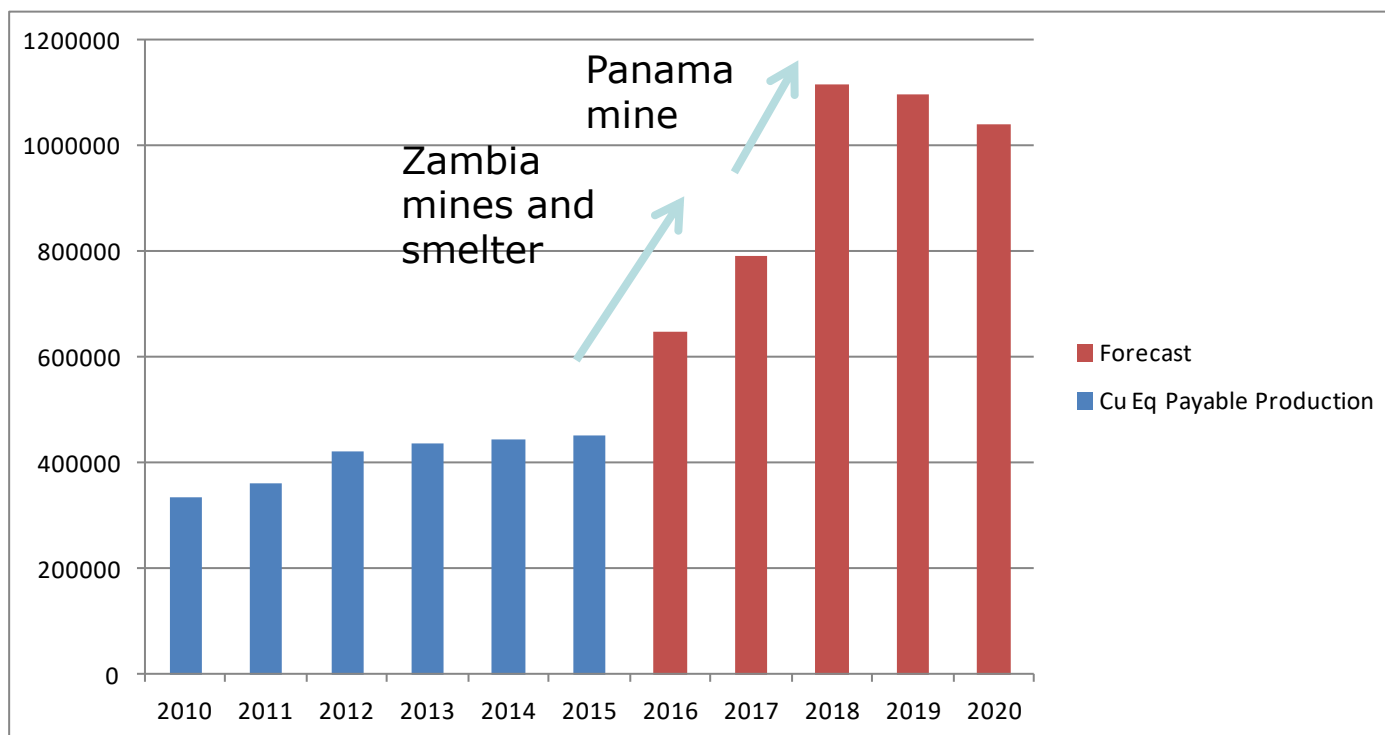
Permitting problems

Delays

Investors throw the towel

Bank hike debt costs

- First Quantum is a mining company with operations and projects in 9 countries and an exceptional growth profile
- Copper is their main product, but they also mine nickel, zinc, and gold





Capital Structure and Enterprise Value

Index	S&P/All Ordinaries
ASX Ticker	ASX:PAN
Shares on issue	494.5M
Share Price	\$0.52 (22 October 2018)
Market Cap	~\$260M
Cash	\$19.6M (30 June 2018)
Listed Investments	~\$10.1M (Horizon Gold, GME, others)
Bank debt	Nil
Enterprise Value	~\$230M

Pre-production ramp up capital
~\$A36M

Operating Cash Costs
US\$2.40/lb payable Ni

Sustaining Cash Costs
US\$3.50/lb payable Ni

**SAVANNAH
MINE LIFE**



8.3 YEARS

PRODUCTION
PER ANNUM



10,800t Ni
6,100t Cu
800t Co

Long mine life with excellent potential for mine life extension through exploration success

Average annual production forecast*
10,800t Ni
6,100t Cu
800t Co

Short lead time to production
Q1 2019

Ratio Analysis (A\$m)	2017a	2018a	2019f	2020f	2021f	Cash Flow (A\$m)	2017a	2018a	2019f	2020f	2021f
CF (A\$m)	(8)	(6)	(32)	89	77	Net Profit	(2)	(3)	11	75	85
CF / Sh (Ac/sh)	(2)	(1)	(6)	18	16	+ Working Capital Adj.	5	(2)	(10)	-	-
CF Ratio (x)	na	na	na	2.3	2.7	+ Dep/Amort	0	0	3	17	23
Earnings (A\$m)	(2)	(3)	11	75	85	+ Provisions	(10)	0	0	0	0
EPS (Ac/sh)	(0)	(1)	2	15	17	+ Tax Expense	(1)	(1)	5	32	36
EPS Growth (%)	na	na	na	609%	13%	- Tax Paid	(1)	-	-	-	36
Earnings Ratio (x)	na	na	19.5	2.8	2.4	Operating Cashflow	(6)	(6)	8	125	107
E'prise Val. (A\$m)	31	280	215	126	49	-Capex + Development	2	-	40	36	30
EV : EBITDA (x)	na	na	11.2	1.0	0.4	-Exploration	3	5	-	-	-
EV : EBIT (x)	na	na	13.6	1.2	0.4	-Assets Purchased	-	-	-	-	-
Net Debt / ND+Eq (%)	na	11%	6%	na	na	+Asset Sales	-	-	14	-	-
Interest Cover (x)	na	na	22	na	na	Investing Cashflow	(5)	(5)	(27)	(36)	(30)
EBIT Margin (%)	na	na	35%	47%	47%	+Equity Issues	-	19	-	-	-
ROE (%)	-2%	-4%	9%	33%	27%	+Loan D'down/Receivable	-	-	30	-	-
ROA (%)	-3%	-3%	8%	37%	32%	-Loan Repayment	-	-	-	10	10
						-Dividends	-	-	-	-	-
						Financing Cashflow	-	19	30	(10)	(10)
						Period Sur (Def)	(11)	8	12	79	67
						Cash Balance	12	20	32	110	178

Source: Euroz

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Our proprietary methodology is based on four ethical principles and nine evaluation criteria that help us identify ethical dilemmas that any organization might find.

Our ethical principles are:

1. **NATURAL LAW:** standards for human conduct based on human nature. Natural law is therefore prior to all human choice and is a measure of it. It is common to all people, both as measuring their action and insofar as its principles are to some degree promulgated to all, that is, known to everyone through the natural light of reason and by the inclinations attending on human nature.
2. **COMMON GOOD:** any single good capable of benefiting many individuals, especially if it can benefit many individuals at once without diminishing. It follows on the social dimension of human nature that people ought to pursue the common good before private goods.
3. **FAMILY:** A natural community consisting of a husband, his wife, and their children, who live in common. Neither human choice nor manmade laws can change or redefine these natural forms.
4. **HUMAN DIGNITY:** God has created every individual human being according to his image and likeness, which is the cause of human dignity. Each person is an instance of the noblest nature in the natural world, a rational nature capable of knowing and loving God and made specifically for that purpose. No person may therefore be treated as a mere means to an end sought by any human person or society.

Our ethical evaluation criteria are:

- Violence to human life and instrumentalization of procreation.
- Workers' rights violations.
- Questionable dealings in arms development, production and sales.
- Involvement in the pornography industry.
- Incitement to immoderate use of alcohol or tobacco, or excessive gambling.
- Abuse of natural resources.
- Fraud, money laundering, corruption and other illegal activities.
- Promotion of unchristian ideals.
- Complicity with government injustice.

Source: www.fidelisinstitute.org

Selected Funds



Name	Classification	Weighted Average Carbon Intensity	ESG Score	ESG Rating
HSBC GIF Global Lower Carbon Equity AC	Global Multi-Cap Value			
JSS OekoSar Equity - Global P EUR dist	Global Multi-Cap Growth	63.5 tCO ₂ e / Mio revenue 	6.5 ☆	A
NN (L) European Sustainable Equity P Cap EUR	Europe Multi-Cap Growth	133.1 tCO ₂ e / Mio revenue 	6.2 ☆	A
Pictet-European Sustainable Equities-P EUR	Europe Multi-Cap Core	61.2 tCO ₂ e / Mio revenue 	8.0 ☆	AA
Raiffeisen Futura Swiss Stock A	Swiss Multi-Cap Core	239.1 tCO ₂ e / Mio revenue 	6.7 ☆	A
RobecoSAM Global Child Impact Equities B	Global Large-Cap Core	102.8 tCO ₂ e / Mio revenue 	6.8 ☆	A
Vontobel Fund Clean Technology B	Global Multi-Cap Core	227.1 tCO ₂ e / Mio revenue 	6.2 ☆	A
Vontobel Fund mtX Sust Emerging Mkts Leaders A		106.7 tCO ₂ e / Mio revenue 	4.9 ☆	BBB



Long Term Invest Fd (SIA)-Classic EUR

Identifier: LU0244071956 | Data as of: May 02, 2019 | Currency: EUR

Investment Objective

To provide long-term capital appreciation, primarily through investment in a portfolio of equity securities of undervalued companies worldwide with a high growth and profitability potential. The Sub-Fund will mainly invest in equity and equity related securities (including convertible bonds) issued by companies worldwide.

ESG - Screening

Rating	Rating Score	Coverage
A	6.6	95.2%

Carbon Screening

Relative Carbon Footprint tCO ₂ e / EUR Mio invested	Weighted Average Carbon Intensity tCO ₂ e / EUR Mio revenue	Coverage
913.4	560.0	95.2%

Source: www.yoursri.com

Full Holdings Date: Dec 31, 2018

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Long Term Investment Fund (SIA) structure

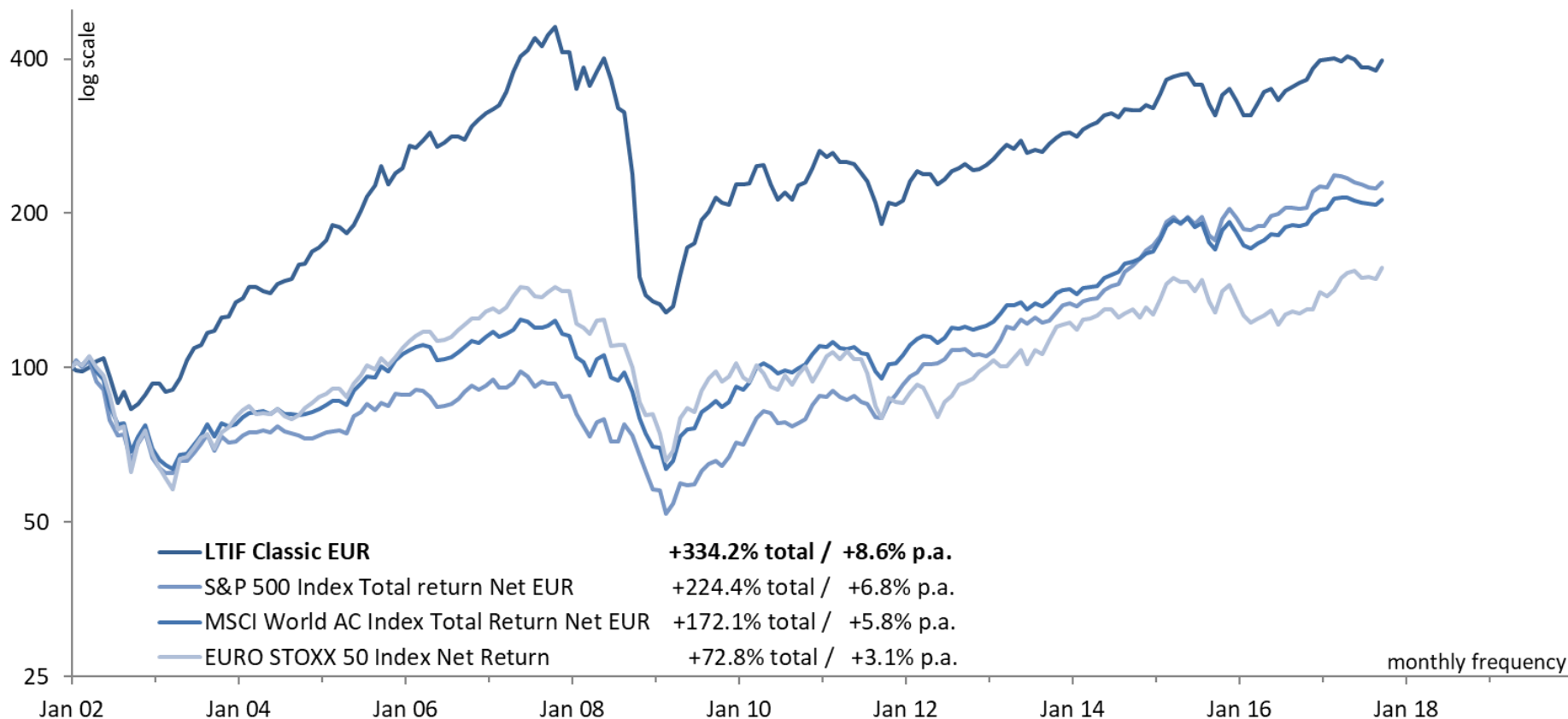
Compartments	LTIF Classic Series					LTIF Stability A Cap Series		
Investment style	Long-only					Long - Short		
Management fee	1.5% pa					0.9% pa		
Performance fee	15% (HWM and Hurdle Rate)					15% (HWM)		
Currency	EUR	CHF	USD	GBP	EUR	EUR	CHF	USD
ISIN number	LU0244071956	LU0301246772	LU0301247077	LU0750886714	LU1449969846	LU1128810261	LU1589813515	LU1132799310
Telekurs valor	2'432'569	3'101'817	3'101'820	18'032'305	33'180'015	25'840'496	36'183'892	25'906'913
Bloomberg ticker	LTIFCLA LX	LTIFCLC LX	LTIFCLU LX	LTIFCLS LX	LTIFCLD LX	LTISTAE LX	LTISTAC LX	LTISTAU LX
Distribution	reinvested	reinvested	reinvested	reinvested	distributed	reinvested	reinvested	reinvested

Compartments	LTIF Natural Resources				LTIF Socially Responsible Investing		
Investment style	Long-only				Long-only, with a SRI filter		
Management fee	1.5% pa				1.5% pa		
Performance fee	15% (HWM)				15% (HWM and Hurdle Rate)		
Currency	EUR	CHF	USD	GBP	EUR	USD	EUR
ISIN number	LU0244072335	LU0301246939	LU0301247234	LU0457696077	LU1790109257	LU1790109331	LU1790109414
Telekurs valor	2'432'575	3'101'836	3'101'839	10'638'983	40'678'982	40'678'984	40'678'985
Bloomberg ticker	LTIFGEV LX	LTIFGEC LX	LTIFGEU LX	LTIFGEG LX	LTIFSRI LX	LTIFSRU LX	LTIFSRD LX
Distribution	reinvested	reinvested	reinvested	reinvested	reinvested	reinvested	distributed

- Daily liquidity, cut-off time previous day at 4:00 pm CET
- Performance fees are assessed and paid quarterly, subject to High Water Marks and Hurdle Rates

Long-term performance of the LTIF Classic fund

LTIF Classic, MSCI AC World Index, S&P 500 Index and EURO STOXX 50 incl. annualized returns



Source: SIA Group / Bloomberg

Long Term Investment Fund

- 15, avenue J.F. Kennedy
- L-1855 Luxembourg
- Grand Duchy of Luxembourg

SIA Funds AG

- Alpenblickstrasse 25
- 8853 Lachen
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LTIF (SIA) Classic, Stability A Cap, SRI and Natural Resources

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