SIA
Strategic Investment Advisors Group

Long Term Investment Fund

Newsletter

of September 2018

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Overview of our funds

Table 1 and figures 1 through 3 show the evolution of our funds' NAV during the past quarter.

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

September 30, 2018	NAV	Δ YTD	Δ 1m	Δ 3m	Δ 12m	Annualized Return *(s.i.)*	AUM *(in mio)*
LTIF Classic [EUR]	442.78	8.3%	2.5%	3.6%	11.3%	9.3%	153
LTIF SRI (EUR)	103.01	*n.a.*	*2.4%*	*2.0%*	*n.a.*	*n.a.*	13
LTIF Stability A Cap [EUR]	122.87	11.0%	6.8%	1.4%	14.6%	1.5%	10
LTIF Natural Resources [EUR]	194.34	5.6%	2.3%	3.1%	7.9%	5.2%	20

Source: SIA Group

They show an increase similar to that of most indices (except the American ones, which keep going up strongly). Interestingly, the Classic fund's quarterly increase of 3.5% — above both its long-term history and its expected return — hides quite a bit of volatility, as you can see in figure 4:

Figure 4: **LTIF Classic NAV during 2018's 3rd Quarter**

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

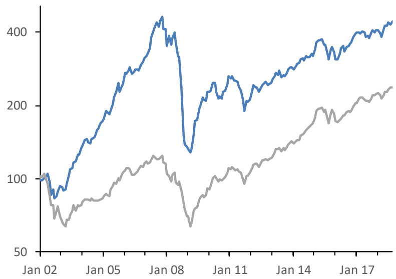


Figure 2: **LTIF Stability A Cap EUR**
vs. HFRX Global Hedge Fund Index EUR

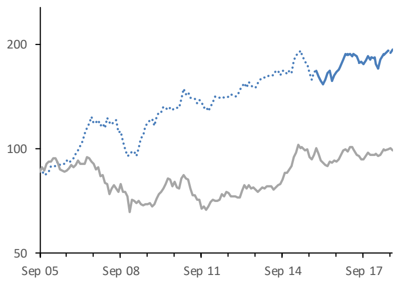
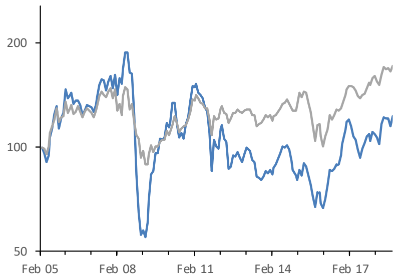


Figure 3: **LTIF Natural Resources EUR**
vs. S&P Global Nat. Res. Net TR Index EUR



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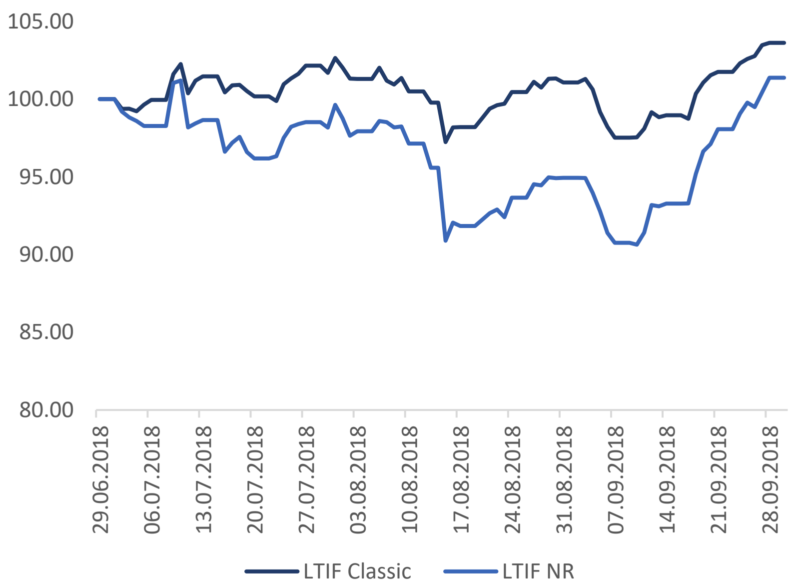
This applies even more to the Natural Resources fund. Both volatilities are related, as figure 5 clarifies:

Figure 5: NAVs of the Classic and Natural Resources fund (indexed)



As in previous quarters, the dispersion in share price movements was large: At the extremes, Grieg Seafood shares went up by 25% during the summer, while KAZ Minerals shares went down by 35%.

In general, shares went up, but oil-related shares dropped in July, only to recover in August, while shares in mining-related companies did badly all summer. This is (mostly) the reason for the funds' seesawing during the quarter, although many other shares also moved sharply, for example, MTU up by 20%, Apple by 21%, but EasyJet down by 22%.

In terms of the companies' fundamental profit development, not much changed in this quarter. The exception was the slight panic that shook the oil and, particularly, the mining-related companies due to trade-related fears. We don't think any of those "macro" fears will alter the slow-moving supply/demand balance; consequently, the very positive view we have of oil and mining-related companies still applies. The market is recognizing the first of our views, not the second… yet. We see no grounds for worry here and still expect a very strong performance from the Natural Resources fund over the next couple of years at least. Other fundamental developments were: EasyJet's incredible performance — on average filling its planes 95% even after increasing its fleet by almost 10% — and Apple's continuing success with increasing its market share and growing its services business.

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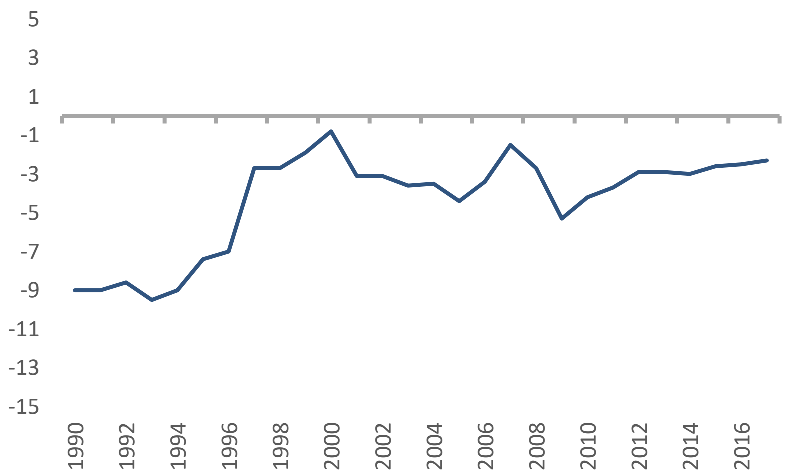
With regards to trading, we have sold two stocks, MTU and Viscofán in the Classic fund and Viscofán in the Natural Resources fund. We had both in our portfolio for a number of years, gaining excellent annualized returns of well above 15% for both. In both cases, we sold due to valuation: As we expected their "stories" have become known and the market has recognized them; we believe that the shares are currently more or less fully valued. We will, however, keep them on our watch list and will buy them back should they drop by, say, 20%. We have already done that twice and very successfully with Viscofán.

We have not added any new stocks during this quarter, preferring to put the proceeds from the sales into stocks that have been weak, such as Pandora, and the mining companies.

As usual, we don't have a specific view on "the market." The trade wars noise has affected mining companies greatly and negatively, but we believe that, given their fundamentals, they should rebound. In this respect, it's interesting that the news-induced drop in oil shares was very short-lived — since oil scarcity is fairly evident, reality trumped sentiment. Copper scarcity may take a bit longer to be recognized, but we believe it's certainly close. At this time, the fundamentals will trump "sentiment" (or, typically, sentiment will simply change).

At the end of the quarter, the last bit of "macro noise" was the Italian budget, which anticipated a 0.5% higher than expected government deficit. European bank shares were especially affected, but everything went down. We certainly don't see this development affecting the salmon consumption in Europe or the sales of Pandora jewels in China. For a historical perspective: This has been the Italian budget balance for the last 30 years:

Figure 6: **Italian Budget Balance in % GDP**



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In general, “macro dips” are good purchase opportunities, especially if unemployment is still decreasing everywhere, which is the really important macro variable for us. In our companies, we see a very gradual increase in pricing power, which will, eventually, translate into a revival of moderate inflation. In turn, this will push interest rates up gently, a process that is already underway in the US. As long as interest rates increase gradually due to stronger economic activity, our companies (and their shares) will do well, as will most commodity prices after all these years of underinvestment. Which cannot be said of bonds.

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LTIF – Classic USD
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Bloomberg: LTIFCLU LX

LTIF – Classic CHF
ISIN: LU0301246772
Telekurs: 3'101'817
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LTIF – Classic GBP
ISIN: LU0750886714
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LTIF – Classic EUR-D
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Bloomberg: LTIFSRI

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Bloomberg: LTIFSRU

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