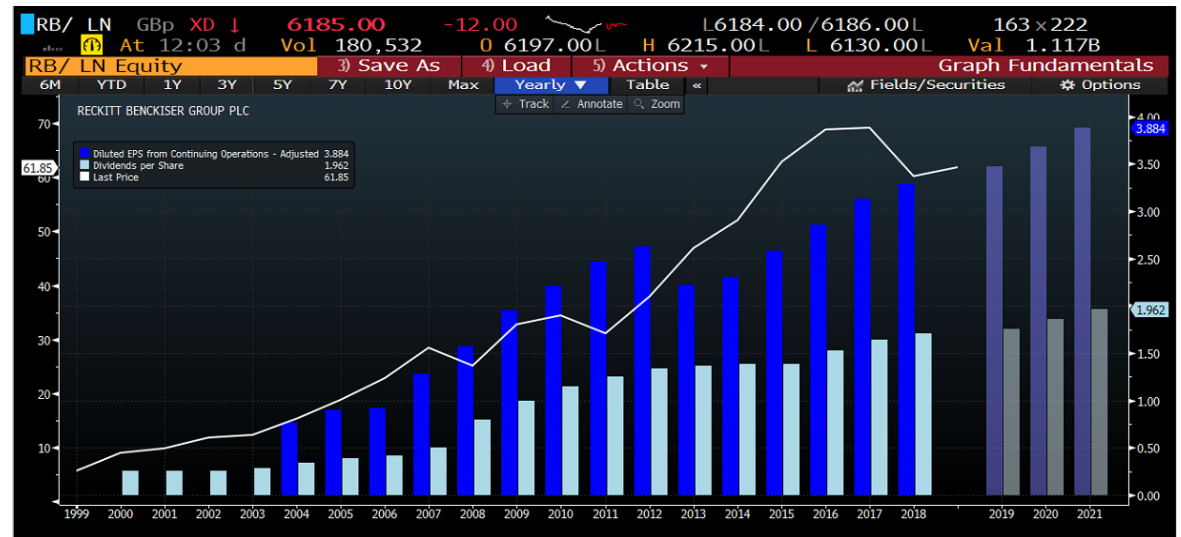




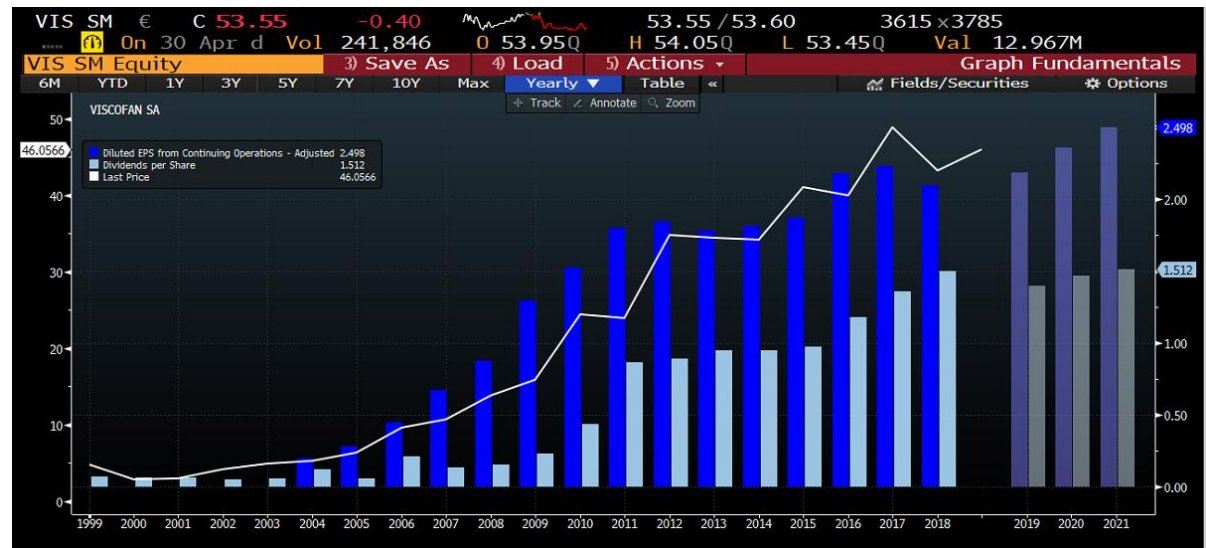
Strategic Value Investing
Q1 2019 Update
May 2019

- The noise and the signal / Carlos Jarillo
- An update on the LTIF Classic Portfolio / Marcos Hernandez
- An update on Natural Resources / Urs Marti
- Conclusion and Q&A / Alex Rauchenstein

Key message: The LTIF Classic and LTIF Natural resources have started the year well. We expect a solid performance over 2019



Source: Bloomberg



Source: Bloomberg

- The LTIF Classic is up 20% in Q119. **End-April NAV is EUR 422 (+21% ytd.)**
- The quarterly performance is not that useful. Last 12m the fund is up +3%. The 3Y and 5Y annual performance is +7%, **getting closer to our 10% target**
- Main outperformers in Q1: energy, materials but **all stocks/sectors strong**
 - All sectors had a positive performance: our energy investments were up 50%
 - Basket of Compounders and Basket of Value both outperformed
 - Only 2 stocks have underperformed: Henkel and Leroy Seafood. Pandora also weak
- Good start of 2019 but **still below last year's peak of EUR440** and our target of EUR450 for 2019 and EUR500 for 2020 on a non-recession scenario

THE LTIF CLASSIC IS BACK ON TRACK

In SIA we try to identify the main macro risks to avoid investment mistakes and to help our micro analysis. We currently monitor 3 main risks:

- **Chinese economic recession.** We see better indicators in Q1... PMIs, excavators, infrastructure spending, housing inventories...
- **Trade wars:** the US-Chinese negotiations appear to be bearing fruits but we should watch the next US-Europe chapter
- **Brexit.** The chances of a softer Brexit are in our view higher.
- Other risks: Credit markets, some Developing Economies, ... but there is always a long list, nothing new

**OUR CURRENT SCENARIO IS A MID CYCLE
SLOWDOWN, NOT A RECESSION**

For most of the last decade we did track the valuation levels of the main geographies and sectors, globally, and in our last review we did not find relevant valuation bubbles

- The US is fairly valued (PER 17x, similar to LT median), but **Europe and most emerging markets look cheap** (excluding Brazil)
- **Energy, Materials, Banks-financials and Health trade at a discount** to converged valuations and surprisingly only the Industrial sector (excluding autos) is a somewhat expensive from a valuation perspective.
- In our view subsectors like **autos and banks look cheap but are value traps**

**OVERALL THE STOCK MARKET IS NOT
EXPENSIVE**

We expect the LTIF Classic to continue doing 10% per annum, as per the last 17 years, not every year of course **i.e. DOUBLING YOUR INVESTMENT EVERY 7 YEARS**

- **Energy (Oil) 10%** weight of LTIF Classic, **Mining (Copper) 10%**; California Resources, Premier Oil, First Quantum, KAZ Minerals are the largest positions
- **Salmon is another 10%**, GriegSeafood, Leroy Seafood and Bakkafrøst
- **Basket of compounders (growth at a reasonable price). 1/3 of the Fund.** Reckitt, Henkel, Visa, Sodexo, Medtronic, Grifols, Unilever, United Technologies are our main positions
- **Basket of cheap value 1/3:** Devro, Wienerberger, ING, Metso, Prysmian, Pandora, Apple, HeidelbergCement are the main holdings

**THE FUND IS WELL BALANCED ACCROSS RISK
CATEGORIES GEOGRAPHIES SECTORS**

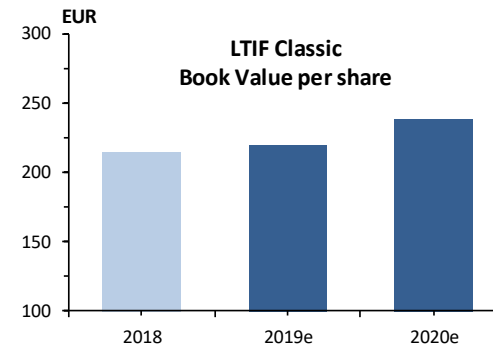
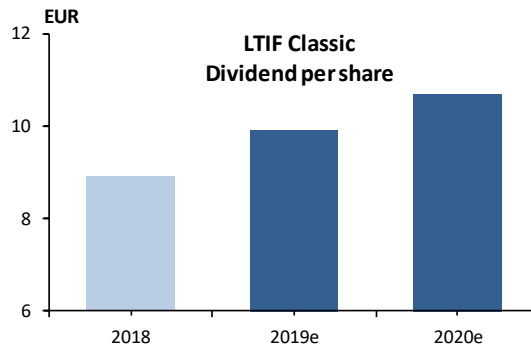
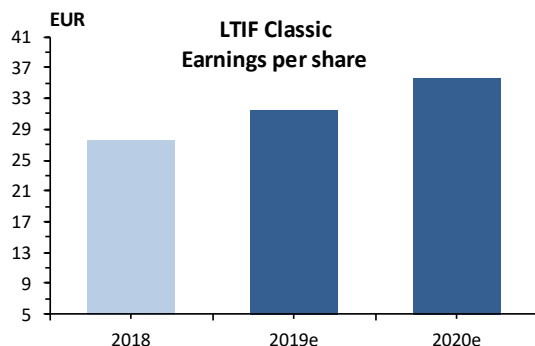
Reporting LTIF Classic as of 31.12.2018 (aggregated data in EUR)

Date	NAV	%
31.12.2016	397.5	19.9%
31.12.2017	408.8	2.9%
31.12.2018	348.2	-14.8%

Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2018	27.5		14.9	6.7%	15.6	6.4%
2019e	31.4	12%	11.1	9.0%	14.3	7.0%
2020e	35.7	14%	9.8	10.2%	13.0	7.7%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2018	8.9		2.6%	2.7%
2019e	9.9	11%	2.8%	2.8%
2020e	10.7	8%	3.1%	3.0%

Year	BPS	%	P/B	MSCI World P/B
2018	215.2	5%	1.9	2.1
2019e	219.2	2%	1.6	2.1
2020e	238.9	9%	1.5	1.9



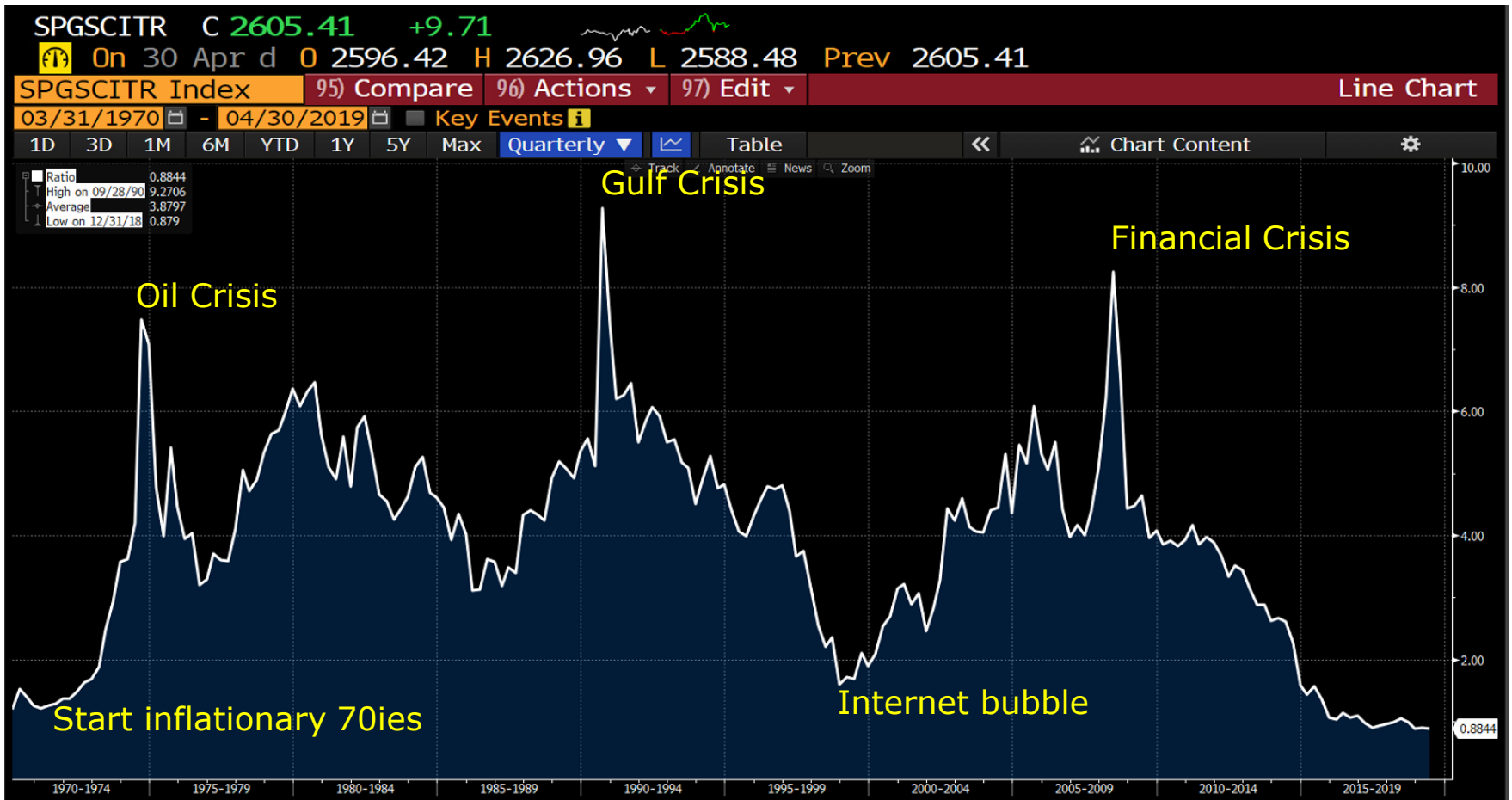
Our target for year end is EUR 450 per share, LT Intrinsic Value is EUR 667.
Updated IRR is 14%, equivalent to a net 12-13% annual return on investment

Source: SIA Group / Bloomberg

The LTIF Classic rotation is very low. Usually we fully buy/sell 2-3 stocks per year. Our target is to have around 30 stocks, good businesses with an honest management and most of them with a 3-4% weight in the portfolio.

- Profiting from the Q418 market collapse **we bought two old friends: Metso and Prysmian, and a newcomer Thales.**
- On valuation grounds **we sold Viscofan (hot-dog casings) and MTU Aeroengines (airplane engines).** We are selling with deep regret as both companies are just great
- On Strategic reassessment **we sold Deutsche Post, Draegerwerk** (medical respiration/anesthesia and safety equipment) and **Premier Foods** (UK Grocery)

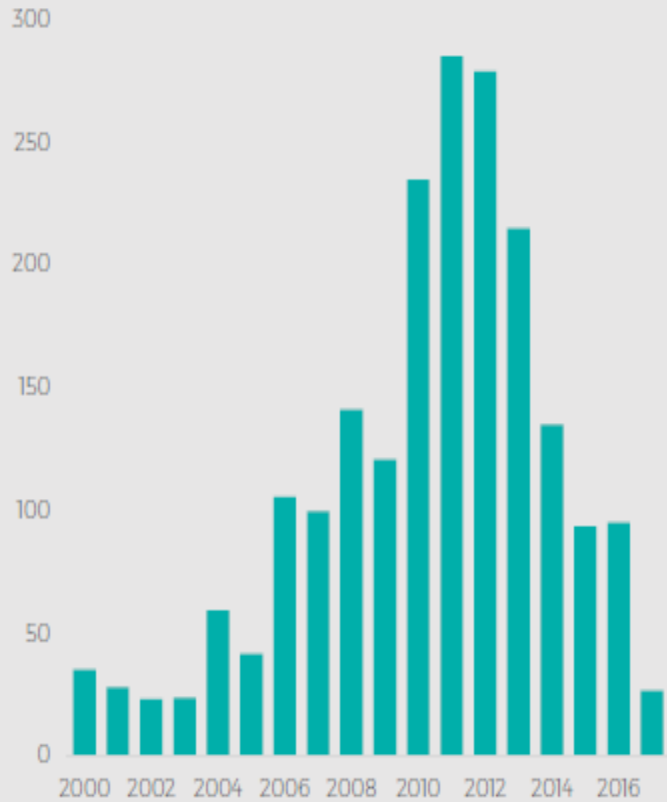
**THE STOCK MARKET IS DESIGNED TO TRANSFER
MONEY FROM THE ACTIVE TO THE PATIENT**



Source: Bloomberg

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⁾

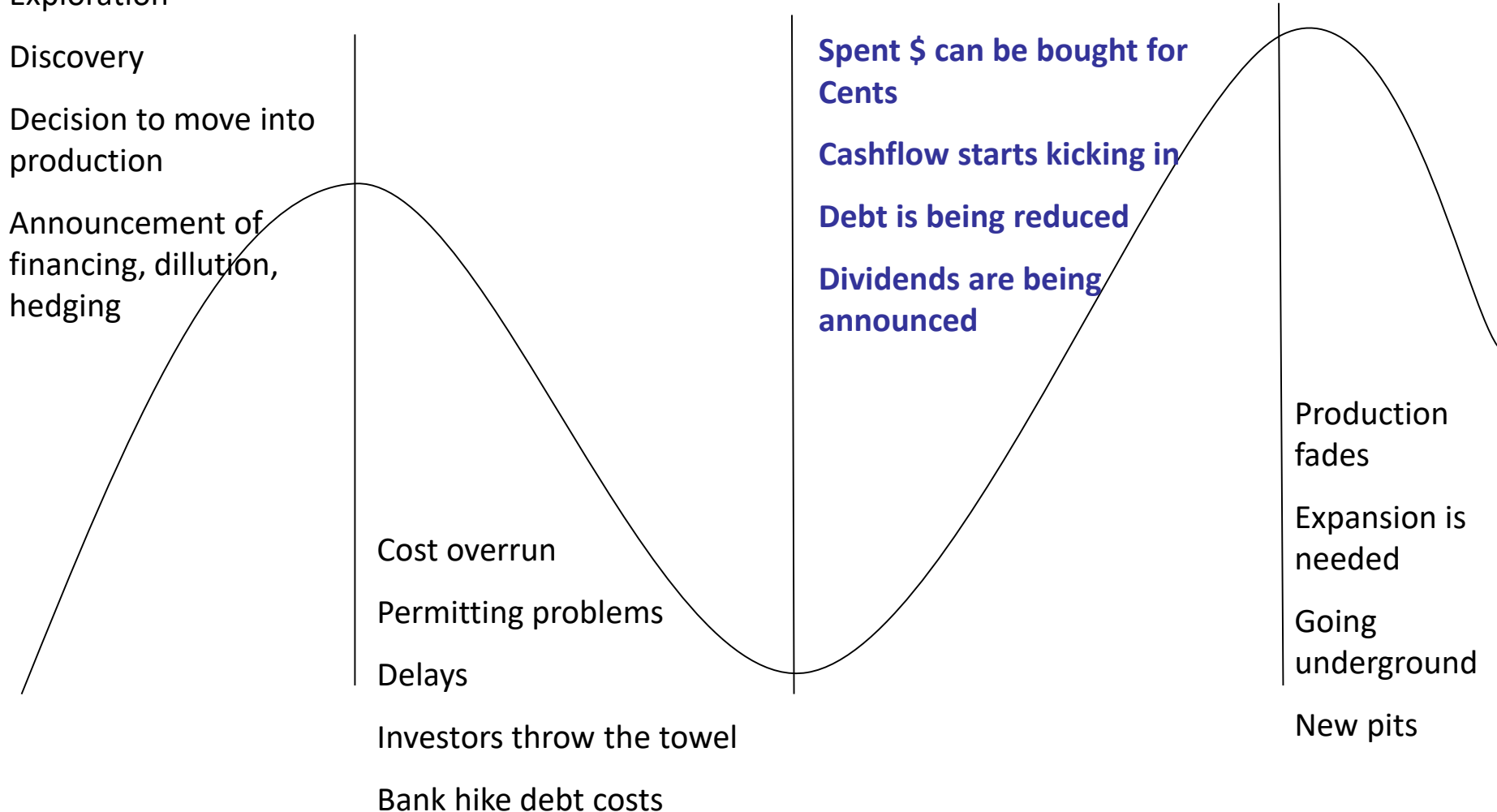


Exploration

Discovery

Decision to move into production

Announcement of financing, dilution, hedging



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

- Performance up to 31.05.06 is that of the BVI-based LTIF, of which the LTIF Luxembourg is an identical successor. Previous performance is audited by Ernst & Young. Past performance is neither a guarantee nor a reliable indicator of future results. Performance data does not include the commissions and fees charged at the time of subscribing for or redeeming shares. This information has been furnished to you upon request and solely for your information and may not be reproduced or redistributed to any other person. It is not intended as an offer or solicitation with respect to the purchase or sale of shares of the Sicav. Neither the Central Administration Agent nor the Investment Manager assume any liability in the case of incorrectly reported or incomplete information. Please be aware that investment funds involve investment risks, including the possible loss of the principal amount invested. For a detailed description of the risks in relation to each share in the investment fund, please see the latest version of the prospectus, simplified prospectus, annual and semi-annual reports, which may solely be relied upon as the basis for investment decisions; these documents are available on www.s-i-a.ch or from the Central Administration Agent FundPartner Solutions (Europe) SA, 15A, avenue J.F. Kennedy, L - 1855 Luxembourg. LTIF Classic, Stability A Cap and Natural Resources (previously Global Energy Value) were approved for distribution in and from Switzerland by the Swiss Financial Market Supervisory Authority (FINMA) according to Art. 19 al. 1 of the Collective Investment Schemes Act, paying agent is Banque Pictet & Cie SA, Route des Acacias 60, 1211 Geneva 73, Switzerland. Legal representative in Switzerland is FundPartner Solutions (Suisse) SA, Route des Acacias 60, 1211 Geneva 73, Switzerland; notified to the Austrian Finanzmarktaufsicht according to §36 of the Investment Funds Act; authorised in France by the Autorité des Marchés Financiers (AMF) pursuant to Art. 411-58 of the AMF General Regulation; authorised by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) according to §132 of the Investment Act; authorised in Italy by the Bank of Italy and the CONSOB according to Article 42 of Legislative Decree no. 58 of 24 February 1998; registered in the register of foreign collective investment schemes commercialized in Spain by the Comisión Nacional del Mercado de Valores (CNMV) pursuant to Art. 15 of the Law on Collective Investment Vehicles; recognised in the United Kingdom by the Financial Services Authority (FSA) as a recognised scheme within the meaning of Section 264 of the Financial Services and Markets Act 2000.