

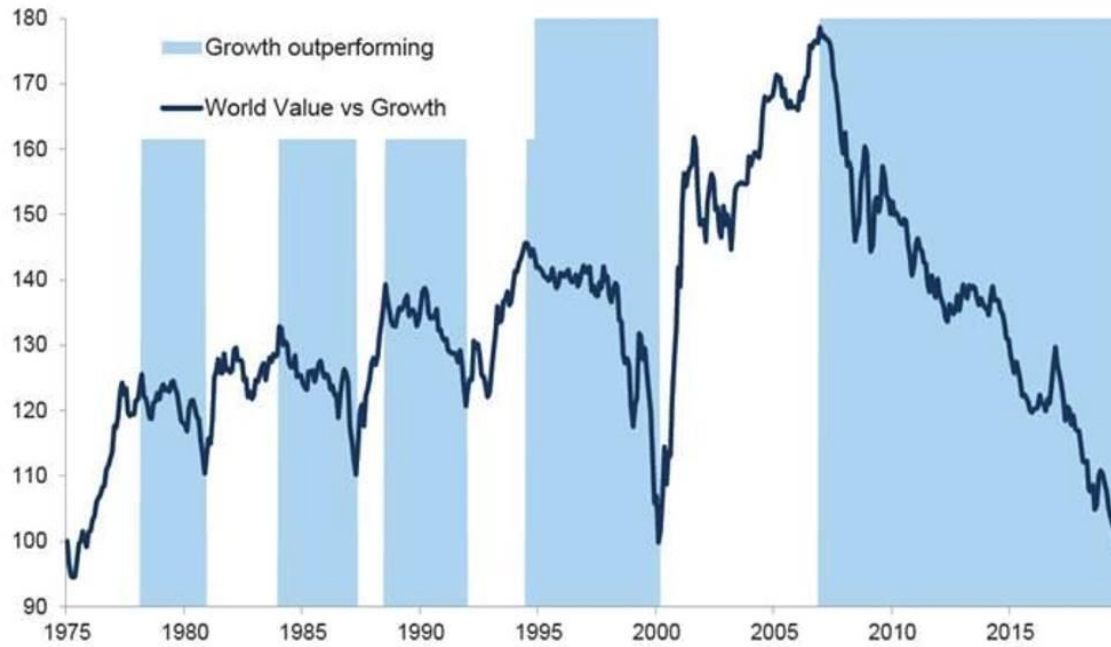


Strategic Value Investing
Q3 2019 Update
November 2019

- Value, FAANGs and the electric revolution / J. Carlos Jarillo
- An update on the LTIF Classic portfolio / Marcos Hernandez
- Commodities – A new upcycle / Urs Marti
- Conclusion and Q&A / Alex Rauchenstein

**Key message: The LTIF Classic (+19%) and LTIF Natural Resources (+12%) are doing just fine.
We expect a again solid performance in 2020.**

Exhibit 9: MSCI World Value vs. Growth
Price Return (USD)



Goldman Sachs

Fangs Rule

Excluding the "Fang 6", World stocks have been becalmed for 16 months

Normalized As Of 12/31/2017 ■ Fang 6 ■ MSCI World excluding Fang 6



Source: Bloomberg Data

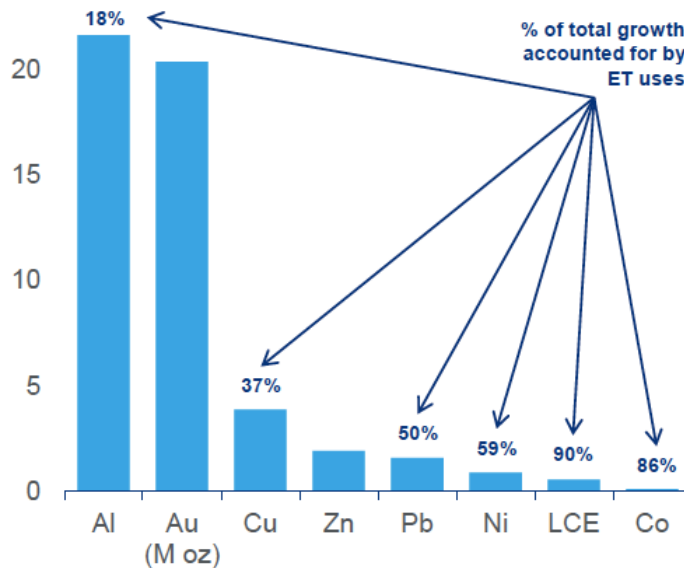
Bloomberg

Wood Mackenzie's LME Forum – October 2019

Despite “lower for ever” growth, incremental demand is substantial

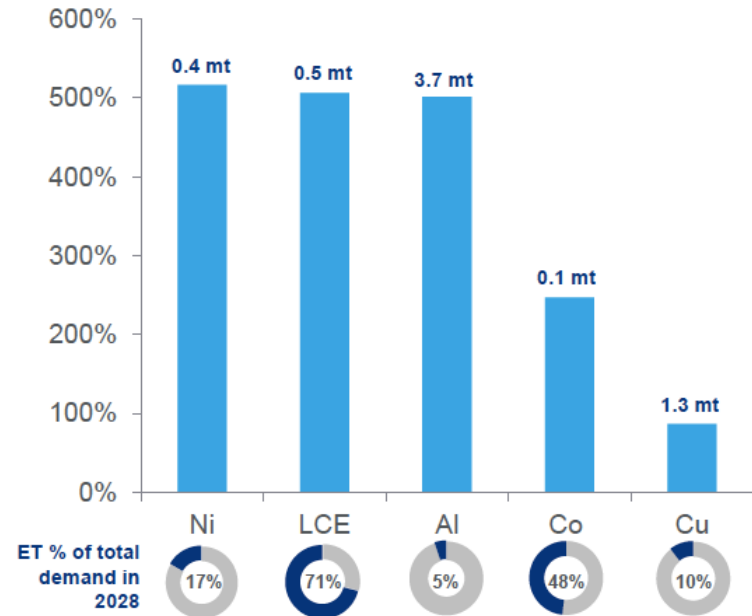
Energy transition uses underpin demand for many metals, with significant upside potential if supply is developed in a timely manner and the supply chain can be de-risked

Total demand growth, 2019-28 (Mt)



Source: Wood Mackenzie

Growth in ET related consumption, 2019-28



11

Source: Bloomberg

- The LTIF Classic is up 19% ytd. **NAV @ EUR 416, in line with our targets.** The 3Y, 5Y and 10Y annual perf. is now c+6-7%, heavily penalized by our exposure to commodities. We should recover this & converge to our LT target: 10% p.a.
- **2019 looks a good year but it is being tough:** VIX indexes in stress levels most if the time and many participants forecasting a global recession.
- Main outperformers ytd.: **all stocks/sectors strong. Energy & Mining weaker.**
 - Basket of compounders and basket of value both outperformed
 - Only 4 stocks in the reds: Thales, Leroy Seafood, California Resources, Hubbay Minerals
 - All sectors had a positive perf.: energy & mining are rebounding as from October
- **We keep our targets: EUR450 for 2019 and EUR500 for 2020** on a non-recession scenario

THE LTIF CLASSIC IS DOING WELL YTD

In SIA we try to identify the main macro risks to avoid investment mistakes and to help our micro analysis. Risks remain unchanged but have marginally improved:

- **Chinese economic slowdown accelerated in Q3 but nears stabilisation.** We see better indicators in October... PMIs, M2, ... even autos
- **Trade wars:** the US-Chinese negotiations appear to be bearing fruits and a Phase 1 deal looks feasible
- **Brexit.** The base case is an agreed Brexit deal by end of January.
- Other risks: worried about Hong Kong, a critical issue. Low interest rates are also an issue... but we are unable to identify systemic risks.
- We are alone here? **The world must re-ignite oil capex.** Shale growth is fading and new production from off-shore fields will fall by 2021

**WE KEEP OUR MID CYCLE SLOWDOWN
SCENARIO. CENTRAL BANKS EASING**

For most of the last decade we did track the valuation levels of the main geographies and sectors, globally, and in our last review ...

- **Geographies:** The US remains fairly valued (SPX, PER 17x, similar to LT median), but **Europe and most emerging markets look cheap** (excluding Brazil, expensive, and Russia fair)
- **Sectors:** **Energy, Materials and Banks-financials are CHEAP** to converged valuations and only Tech/IT trades above its LT averages. Healthcare, Industrials and Consumer are broadly fairly valued
- We keep our view: **Autos & Banks are value traps** due to structural changes

**OVERALL THE STOCK MARKET REMAINS
INEXPENSIVE**

We expect the LTIF Classic to continue doing 10% per annum (9% CAGR since inception in 2002), **i.e. DOUBLING EVERY 7 YEARS**

- **Basket of compounders (growth at a reasonable price). 1/3 of the Fund.** Reckitt, Henkel, Visa, Sodexo, Medtronic, Grifols, Unilever, United Technologies, ASML are our main positions
- **Basket of cheap value 1/3:** Devro, Wienerberger, ING, Metso, Prysmian, Pandora, Apple, HeidelbergCement are the main holdings
- **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 mainly. Sold most of Bakkafrøst on valuation grounds

**THE FUND IS DIVERSIFIED AMONG RISK CAT.,
GEO., SECTORS, AND DRIVERS**

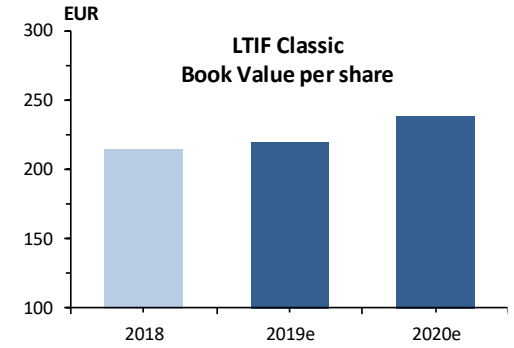
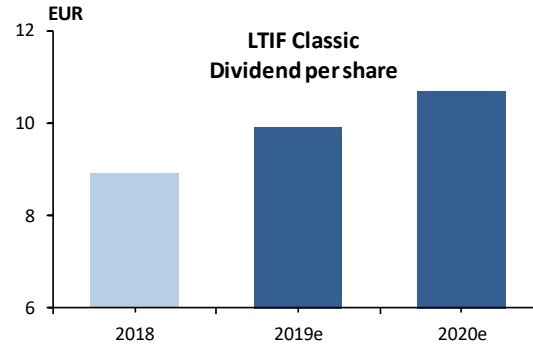
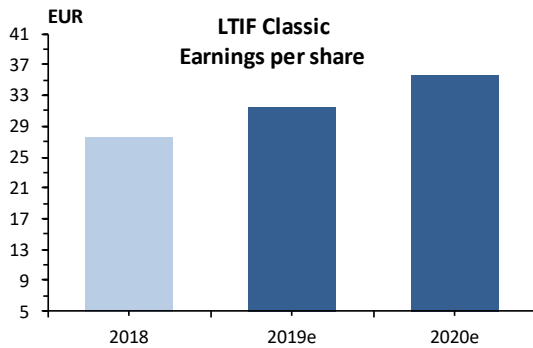
Reporting LTIF Classic as of 31.12.2018 (aggregated data in EUR)

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 700+.
Updated IRR is 15%, equivalent to a net 13% annual return on investment

Source: SIA Group / Bloomberg

The LTIF Classic rotation remains 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.

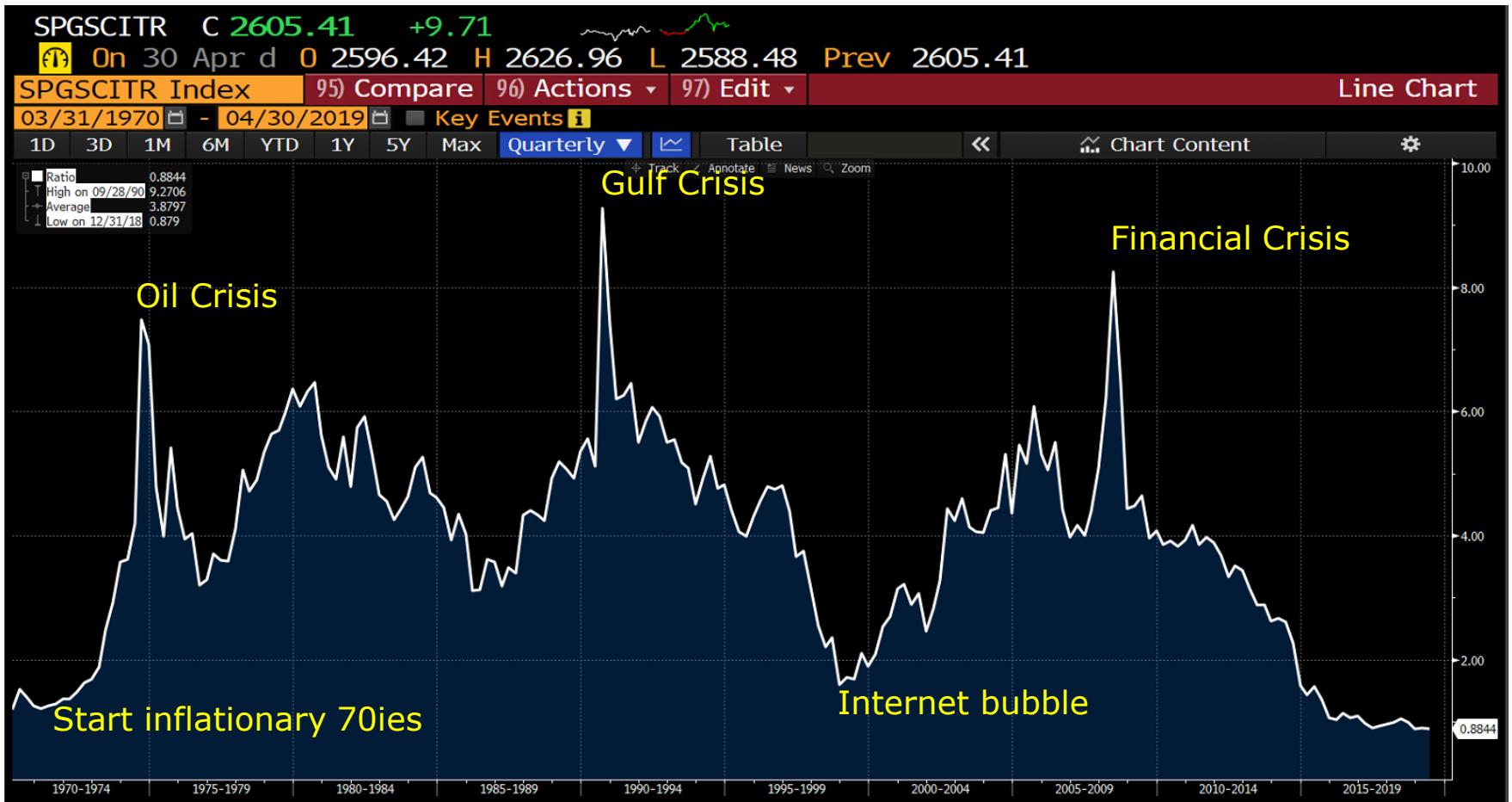
- **2 old friends joined our portfolio: VISCOFAN** (worldwide leader in sausage casings) and **ASML** (worldwide leader in chip manufacturing equipment). Both are in our view compounders or “growth at reasonable price”
- We are **taking some profits here and there**: Nestlé, Coca Cola, Apple, VISA... mainly companies that are enjoying a good run and reaching IVs
- Unbelievably our holding in **Pandora** is up ytd... but yesterday it fell 15%. Patience required but we should double over 3 years as new CEO/restructuring has only started

HUGE DIVERGENCE BETWEEN GROWTH & VALUE

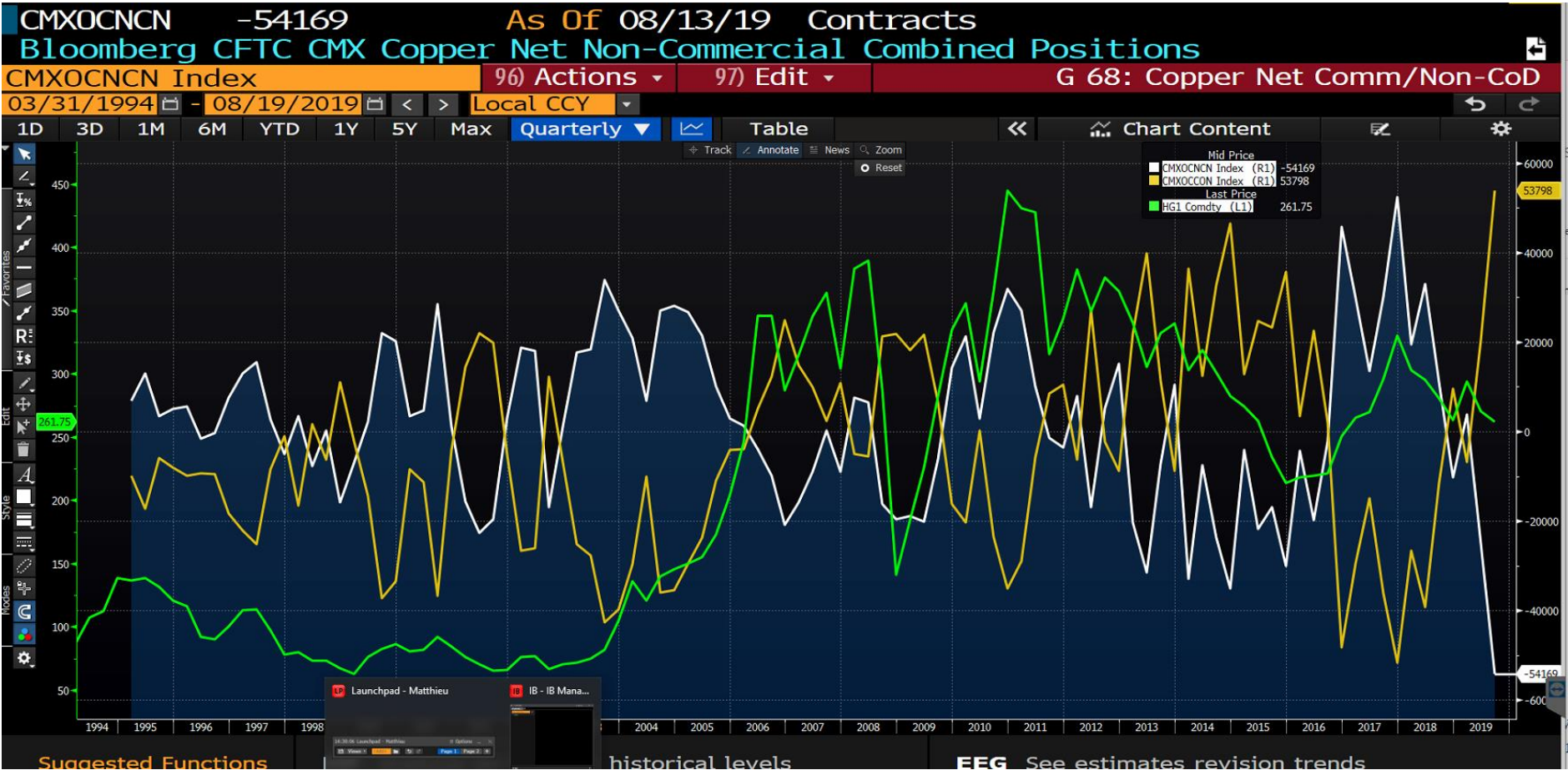
The LTIF Natural Resources is up 12% ytd.

- Massively undervalued. IRR 20%. IV x2
- Main investments: Oil, copper, nickel and salmon. Nickel has already moved to “incentive pricing” due to the changes in Indonesia. We need oil at 75/80\$ bbl. & copper at 3.5\$ per lb. to incentivize new projects
- Following a decade underperformance vs. broad indexes, the sector is deeply undervalued (and most independent funds closed). Our fund has survived but remains small: EUR 25mn assets (EUR 50mn on a normalized valuation)
- We are entering in the next cycle upturn. Long cycles
- Remember: the LTIF Classic has 30% exposure to 3 themes, 10% oil, 10% Cu and 10% salmon.

RECOMMENDED FOR A PART OF TOTAL ASSETS



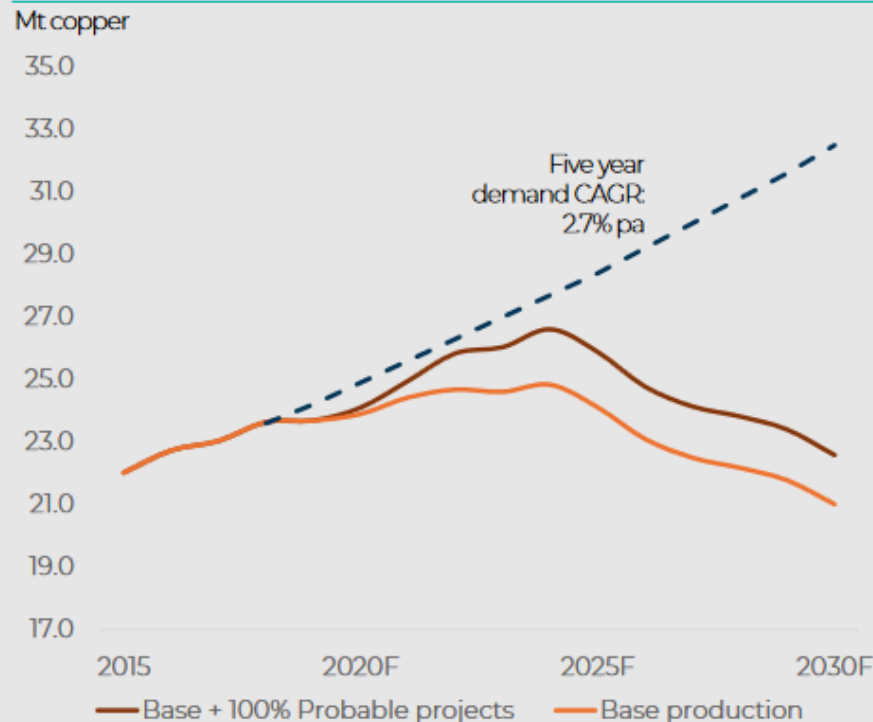
Source: Bloomberg



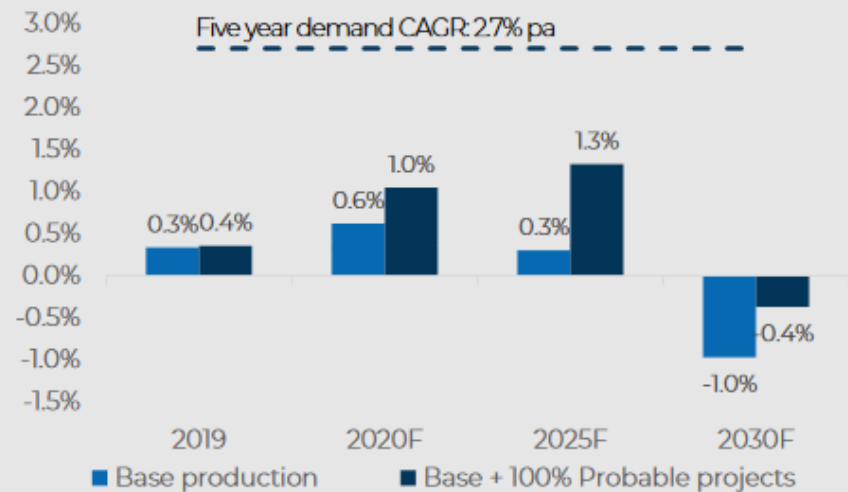
The copper market has been undersupplied since 2018

Structural deficits likely even with 100% of probable project pipeline

Historical demand trends imply continued copper deficits⁽¹⁾

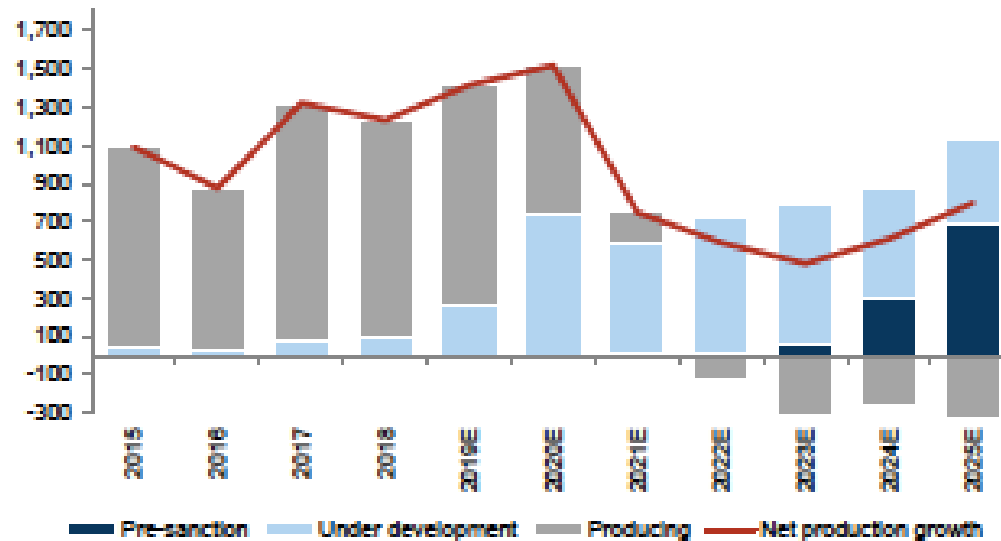


Minimum copper demand needed for inventory draw⁽¹⁾



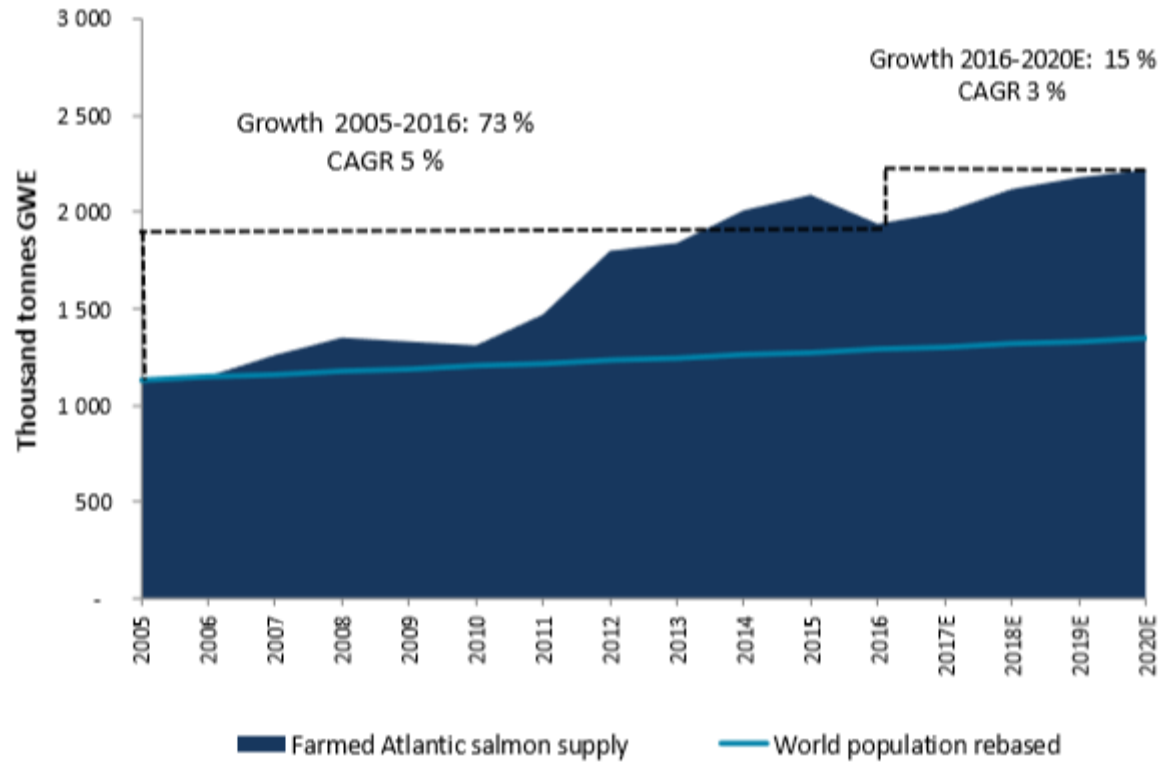
- In 2025... EV demand is equivalent to half of new supply from all Probable projects (assuming 100% are built)
- By 2030... EV demand is equivalent to almost double total new supply from all Probable projects

Exhibit 52: Meeting our expected Top Project growth in 2024-25 depends on projects being sanctioned in the near term, given the c.4yr delay to first oil and 6yr delay to peak oil
Top Project production growth/decline by status



Source: Goldman Sachs Global Investment Research

Salmon 2018-2020 limited supply growth



Supply Growth: CAGR(e) of 3% next few years

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.