

L T I F

Long Term Investment Fund

Welcome to our
7th Natural Resources Day

Our external speaker



Emil Woodtli
Head of Tunnel
Gaehler and Partner AG

Partners - Investment Experience



- **Marcos Hernandez Aguado**
Managing Partner, CIO



- **Alex Rauchenstein**
Managing Partner (IC)



- **Urs Marti, Partner (IC)**
Natural Resources

- **Prof. Jose Carlos Jarillo**
Founding Partner (IC)



**> 30 years
experience**

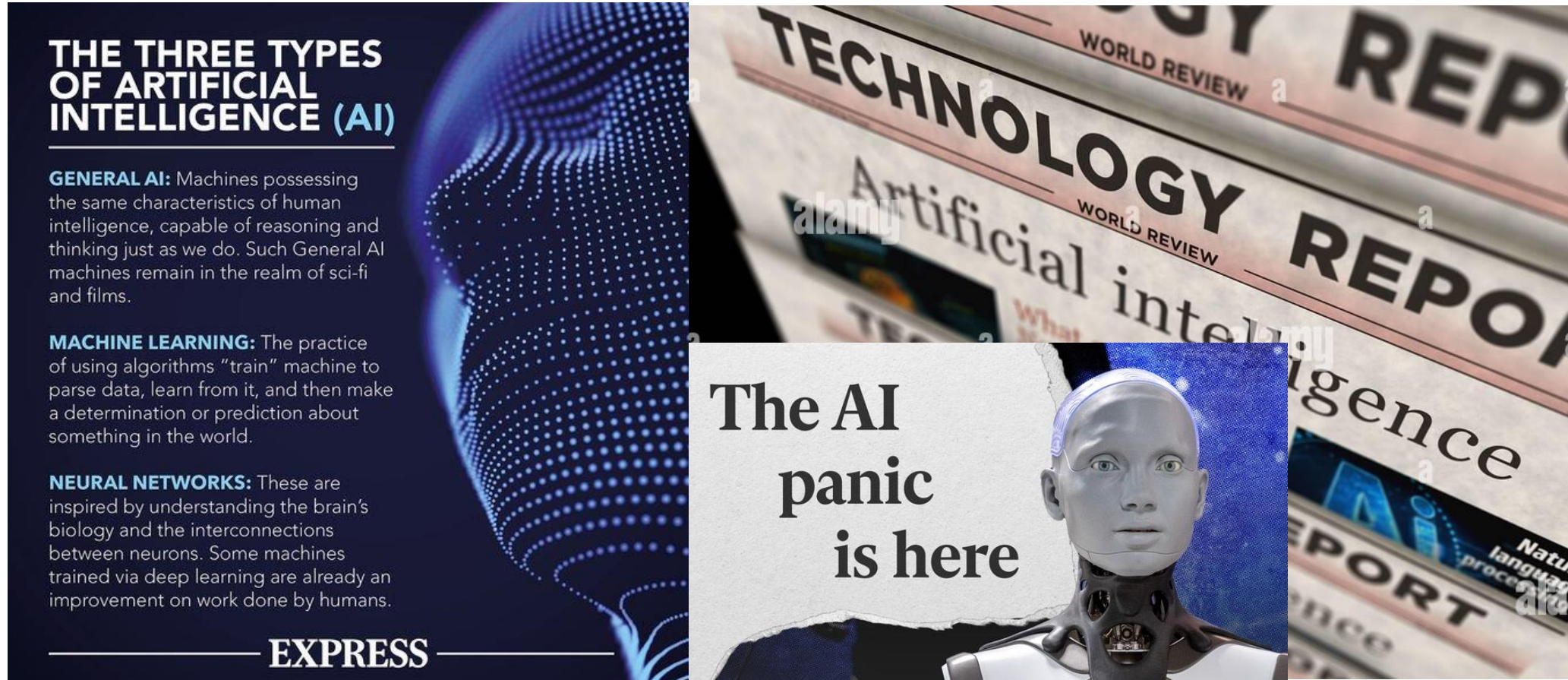
**Invested in
SIA Funds**

**Unconstrained
decision making**

Agenda

- 09.00 **Where are we in the Natural Resources cycle?** by Alex Rauchenstein, Managing Partner SIA
- 09.15 **The future of energy** by Prof. J. Carlos Jarillo, Founding Partner SIA
- 09.45 **A consolidation/inventory cycle is ending** by Urs Marti, Partner SIA
- 10.15 Coffee break
- 10.40 **Real live mining in Switzerland** by Emil Woodtli, Head of Tunnel, 2nd Gotthard Road Tunnel at Gaehler and Partner AG
- 11.15 **Understanding commodities** by Marcos Hernandez, Managing Partner & CIO SIA
- 11.45 **Final remarks and Q&A** by Alex Rauchenstein
- 12.00 **Lunch**

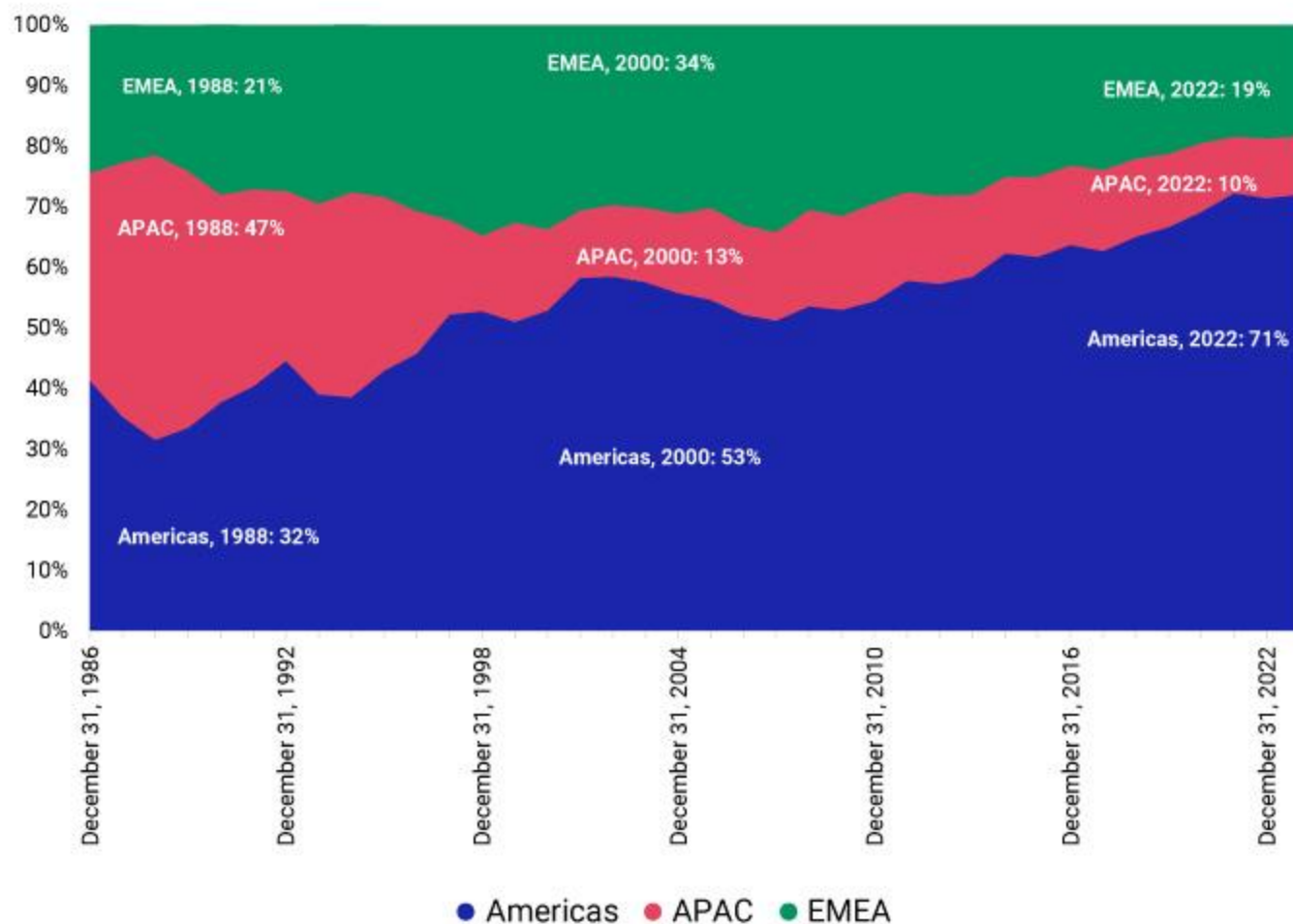
The dominant theme in markets today



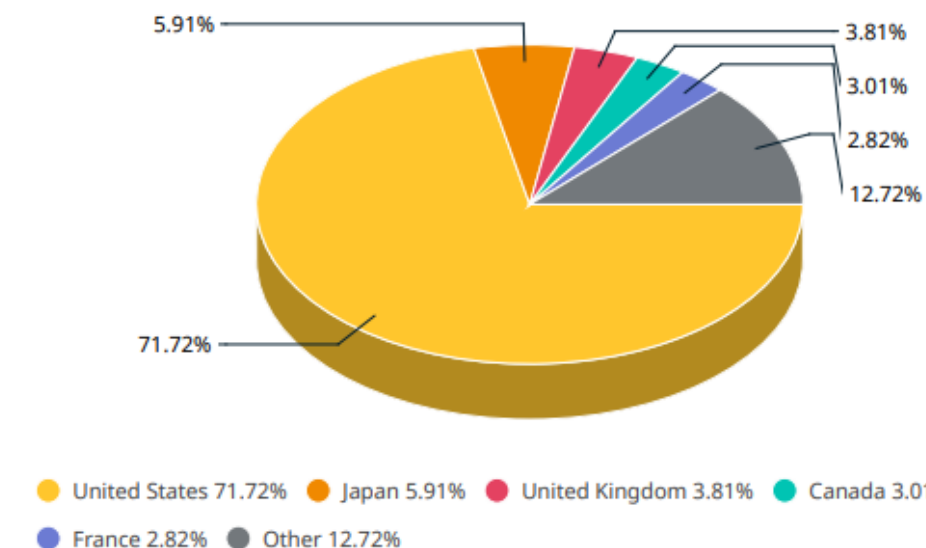
Some years back it was autonomous driving



USA weightings in the MSCI World since 1986 and today



COUNTRY WEIGHTS



Source MSCI

worldometer

Coronavirus

Population

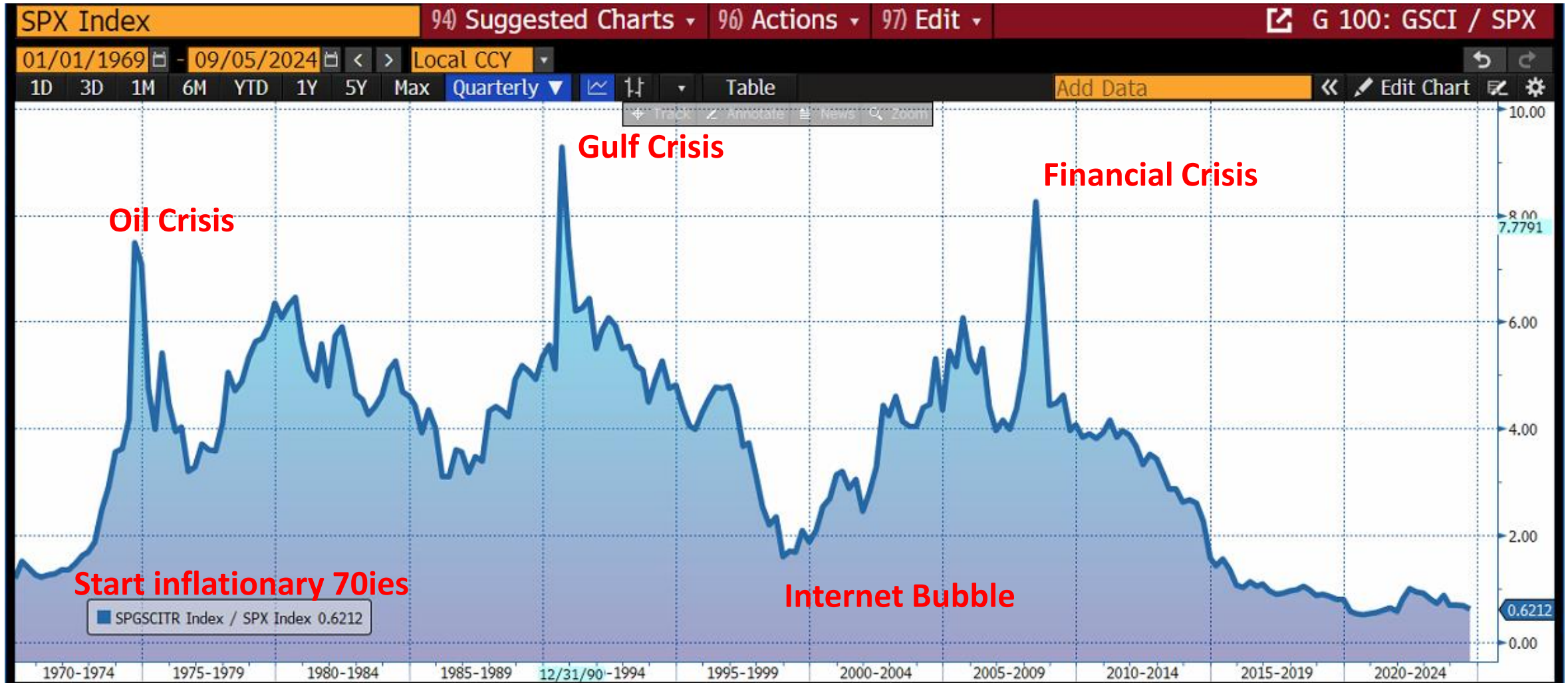
[W / GDP](#) / GDP by Country

Source: SIA Group / Bloomberg

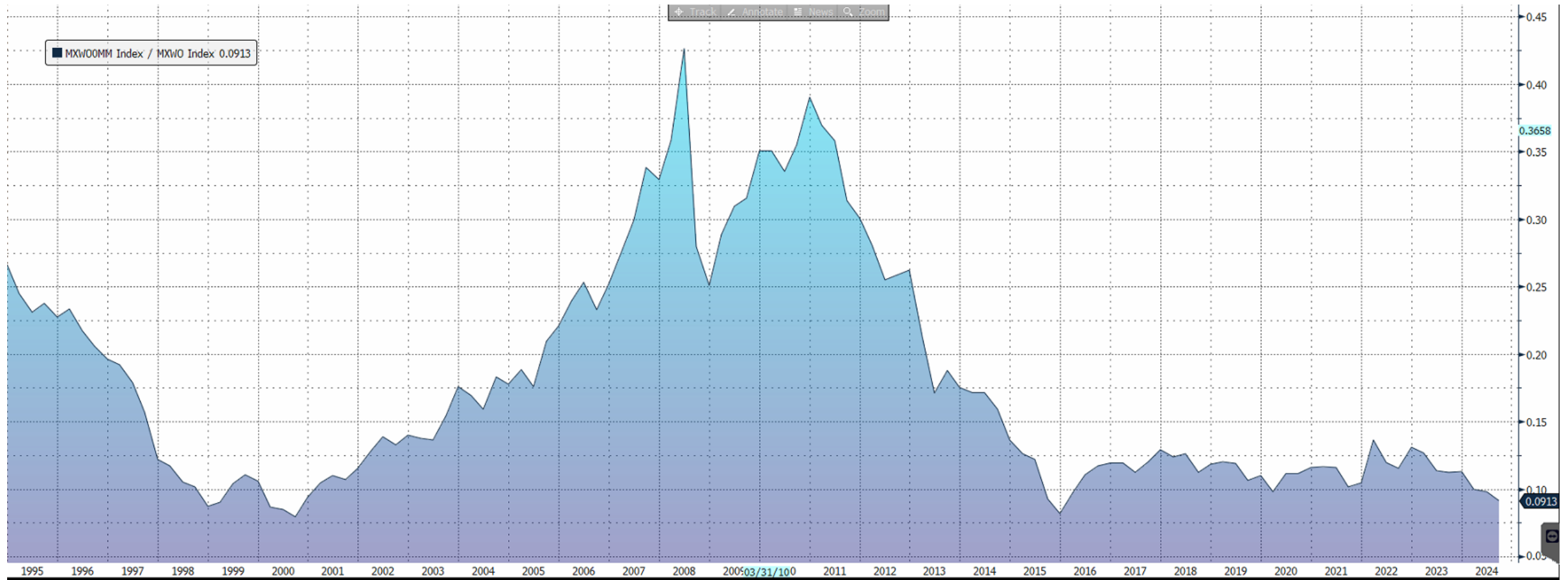
GDP by Country

#	Country	GDP (nominal, 2022)	GDP (abbrev.)	GDP growth	Population (2022)	GDP per capita	Share of World GDP
1	United States	\$25,462,700,000,000	\$25.463 trillion	2.06%	341,534,046	\$74,554	25.32%

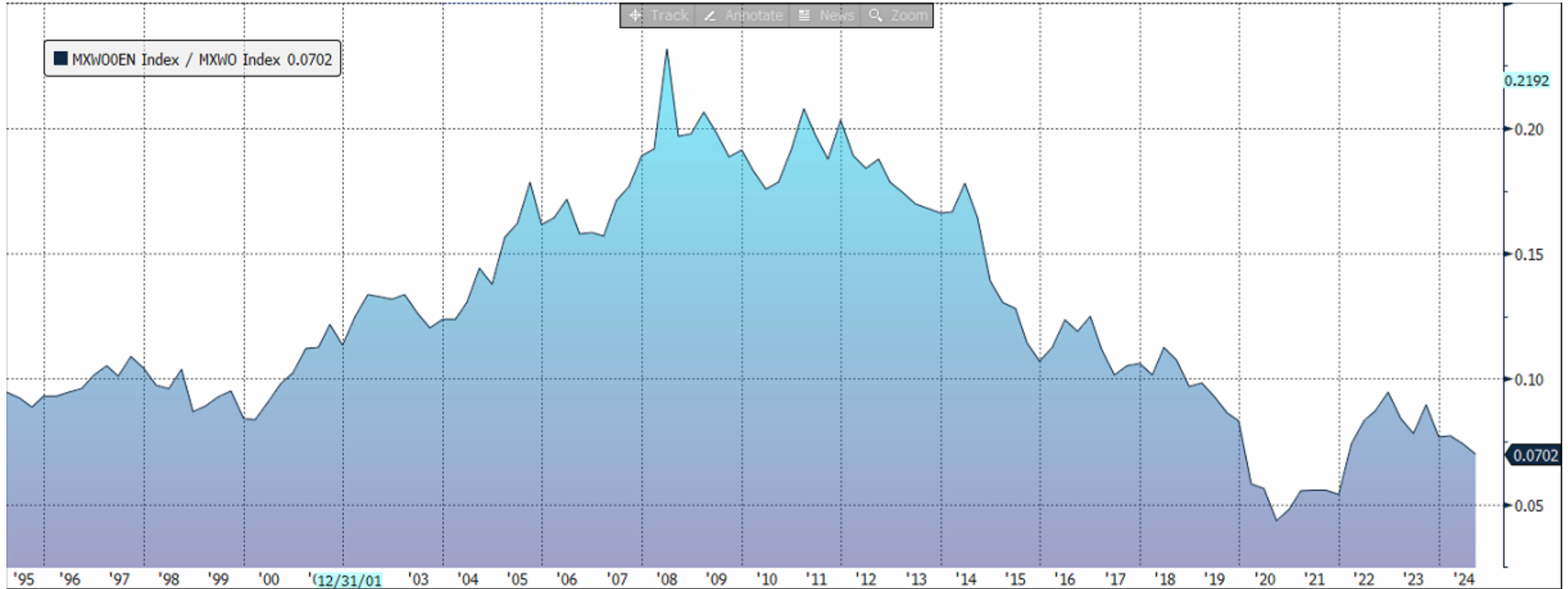
GSCI/S&P500 Ratio: As cheap as it can get, still!



MSCI Mining and Metals/MSCI World: massive potential



MSCI Energy/MSCI World: massive potential



10.4x earnings & 1.6x book 2025 - below mid-cycle

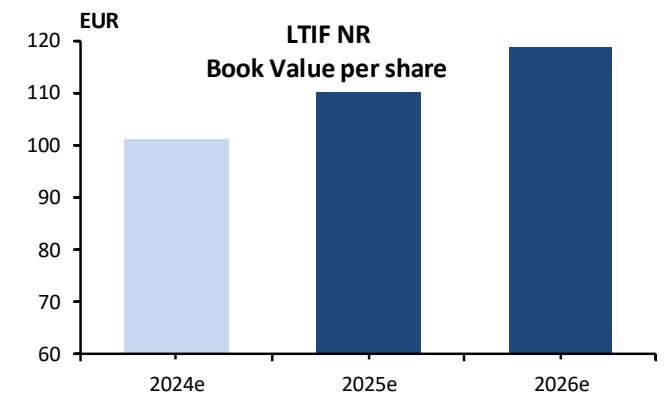
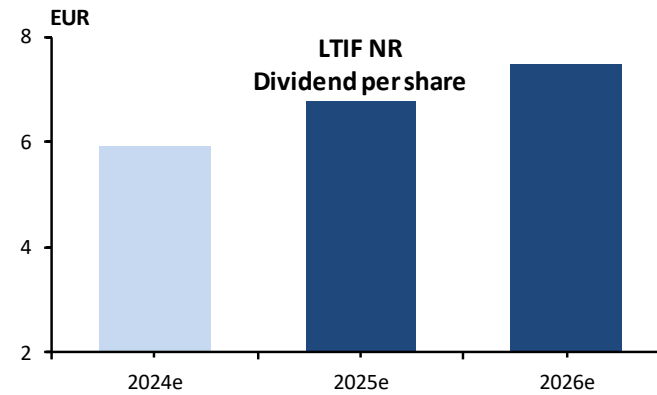
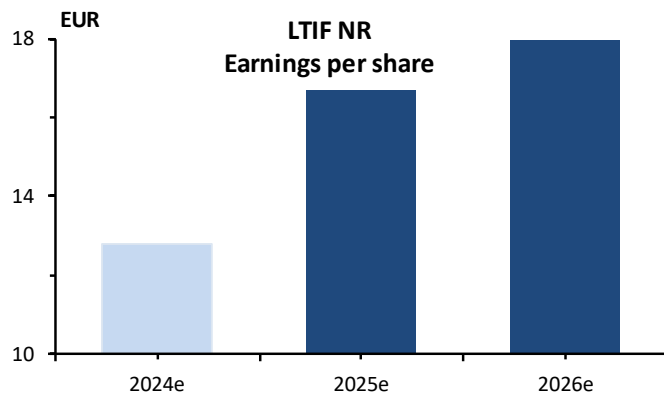
Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%
31.12.2022	138.4	12.9%
31.12.2023	150.3	8.6%

Reporting LTIF NR as of 30.06.2024 (aggregated data in EUR)

Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2024e	12.8		13.6	7.3%	12.2	8.2%
2025e	16.7	31%	10.4	9.6%	10.8	9.3%
2026e	17.9	7%	9.7	10.3%	10.6	9.5%

Year	DPS	%	Div. Yield	S&P NR Div. Yield
2024e	5.9		3.4%	3.5%
2025e	6.8	14%	3.9%	3.7%
2026e	7.5	10%	4.3%	3.9%

Year	BPS	%	P/B	S&P NR P/B
2024e	101.3		1.7	1.7
2025e	110.2	9%	1.6	1.5
2026e	118.5	8%	1.5	1.4



Source: SIA Group / Bloomberg

LTIF NR a good instrument in a bull market



LTIF NR vs. Bloomberg universe (top decile)



The future of energy

J. Carlos Jarillo

September 2024

Presentation plan

- Energy availability has been the driver of economic development and civilisation
- Future energy needs are very large
- What can we learn from the past?
- The future of energy
- Investment implications

Key message:

Meeting hugely increased energy demands is the great challenge for the next decades.

This will create opportunities... and traps, both direct and indirect.

'It Ain't What You Don't Know That Gets You Into Trouble. It's What You Know for Sure That Just Ain't So'

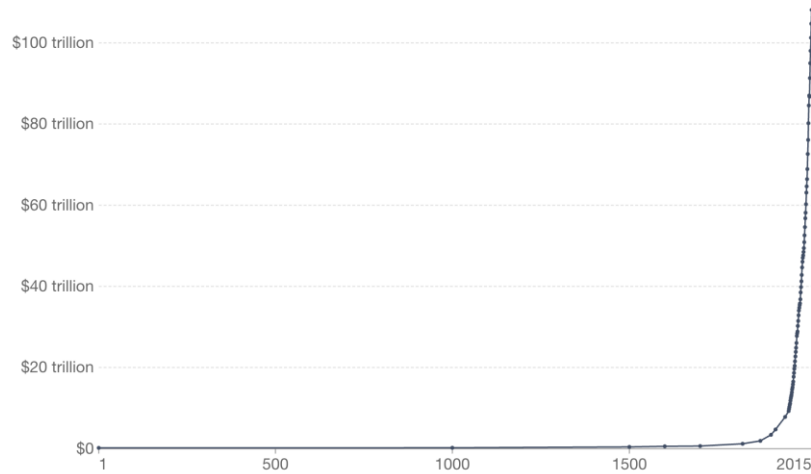
Mark Twain (attributed)

Energy and economic growth

200 years ago, mankind development changed radically

World GDP over the last two millennia

Total output of the world economy; adjusted for inflation and expressed in international-\$ in 2011 prices.

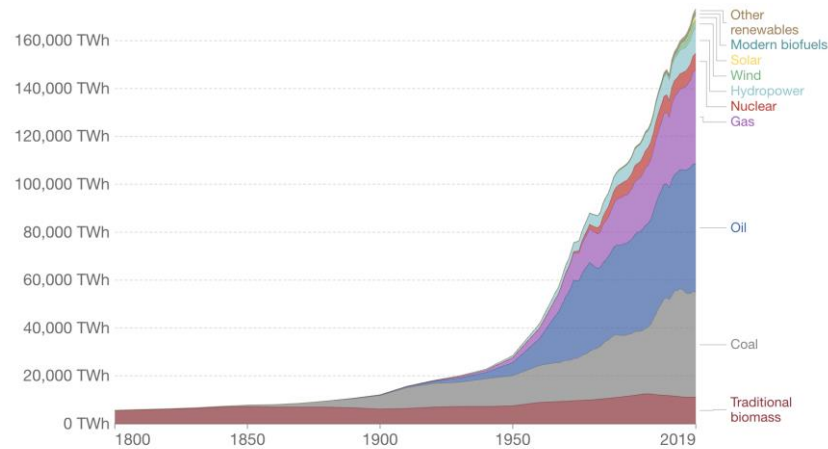


Source: World GDP - Our World In Data based on World Bank & Maddison (2017)

OurWorldInData.org/economic-growth • CC BY

Global primary energy consumption by source

Primary energy is calculated based on the 'substitution method' which takes account of the inefficiencies in fossil fuel production by converting non-fossil energy into the energy inputs required if they had the same conversion losses as fossil fuels.



Source: Vaclav Smil (2017) & BP Statistical Review of World Energy

OurWorldInData.org/energy • CC BY

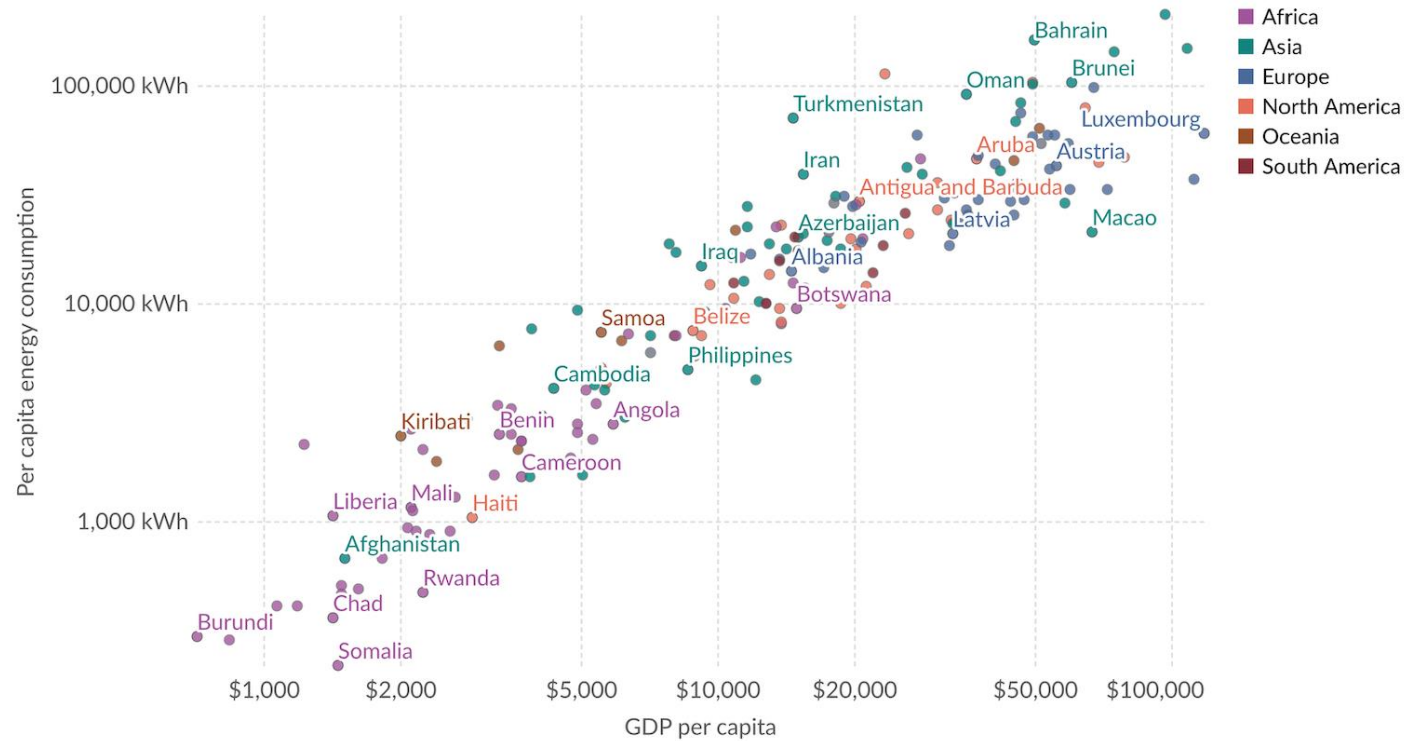
And it was due to the harnessing of new, very dense, transportable sources of energy

GDP and energy consumption

Energy use per person vs. GDP per capita, 2022

Energy refers to primary energy¹, measured in kilowatt-hours² per person, using the substitution method³. Gross domestic product (GDP) is adjusted for inflation and differences in the cost of living between countries.

Our World
in Data



Data source: U.S. Energy Information Administration (2023) and other sources

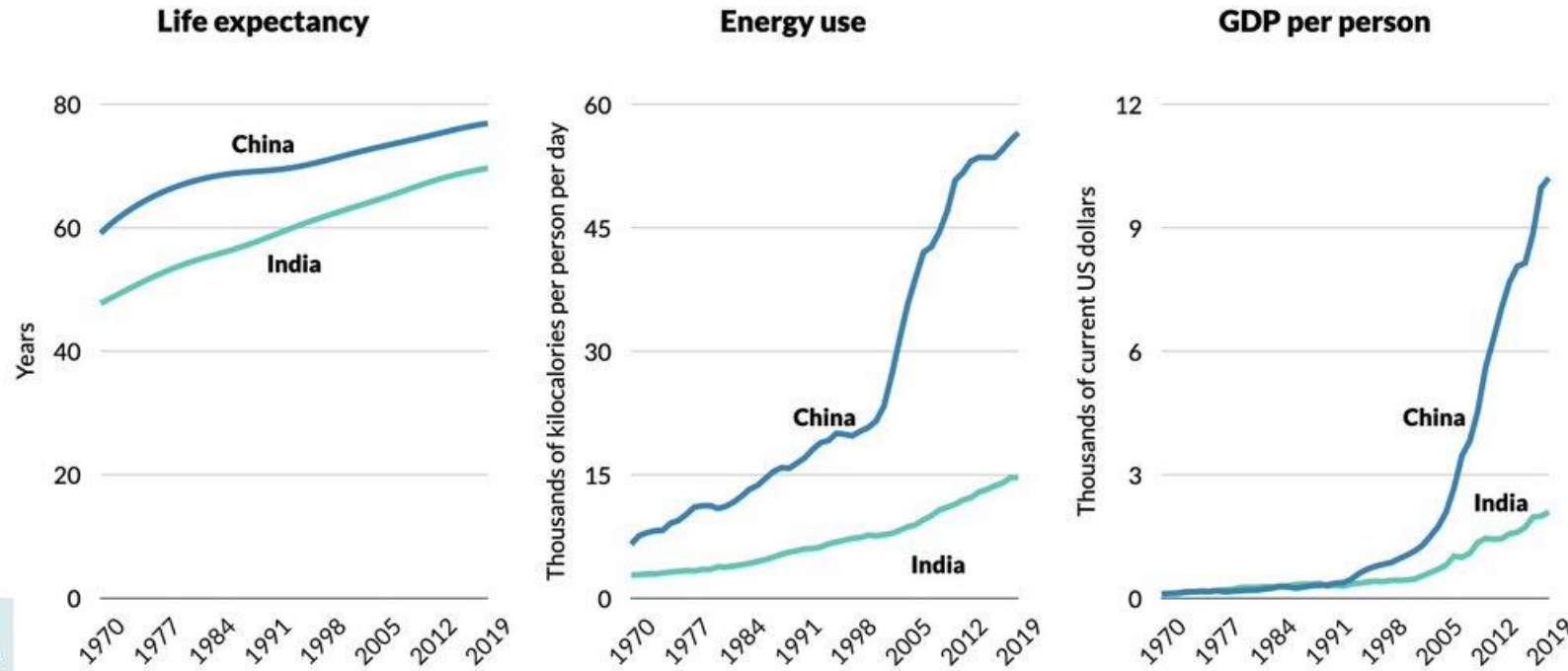
Note: GDP data is expressed in international-\$⁴ at 2017 prices.

OurWorldInData.org/energy | CC BY

This is *causal*. The 75 slaves

Which translates into more living

The strong correlations between energy use and both life expectancy and income are not coincidental. Machine labor makes possible a dramatic increase in standard of living.



Source: BP Statistical Review of World Energy; World Bank Data

FossilFuture.com

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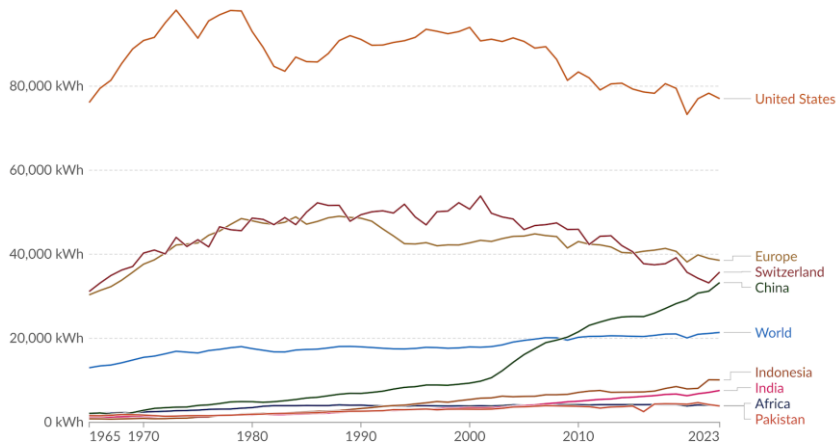
Mark Twain (attributed)

It's hard to see the future from Zurich...

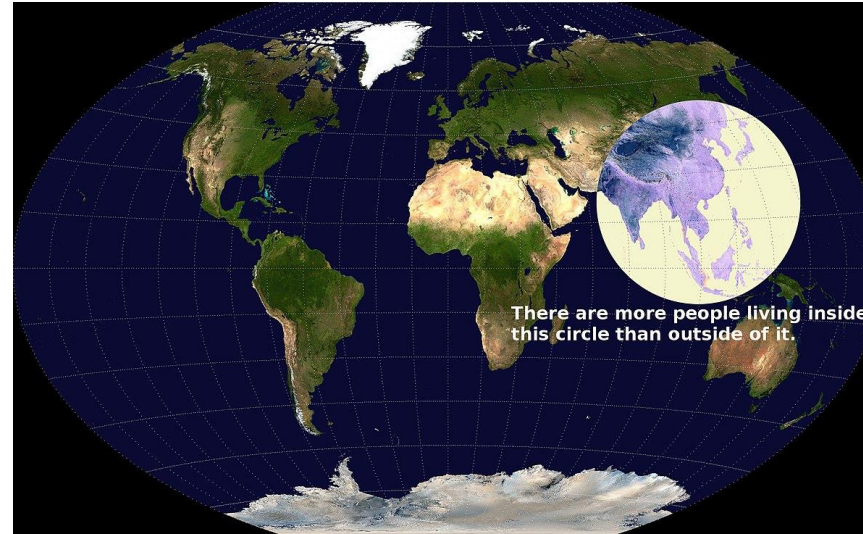
Energy use per person

Measured in kilowatt-hours¹ per person. Here, energy refers to primary energy² using the substitution method³.

Our World
In Data

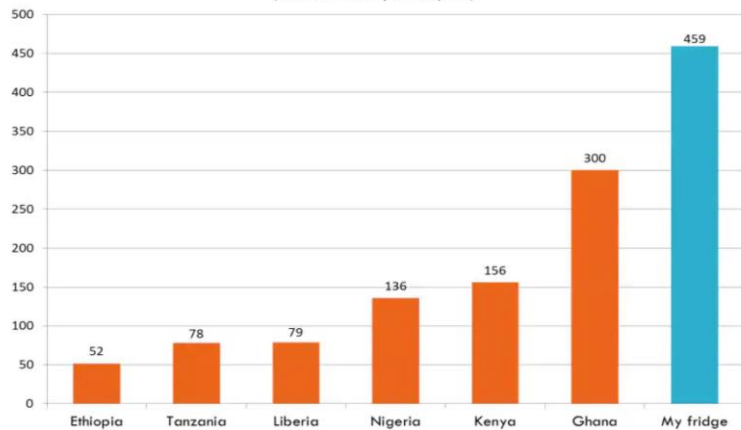


Data source: U.S. Energy Information Administration (2023); Energy Institute - Statistical Review of World Energy (2024); Population based on various sources (2023)
OurWorldInData.org/energy | CC BY



Valeriepieris Circle

Electricity Consumption (annual kWh per capita)



Source: IEA, 2010

In fifty years' time, one in five humans will live in Africa.

If we converge towards 30.000 KWh/person, the world needs a a 50% increase in energy production

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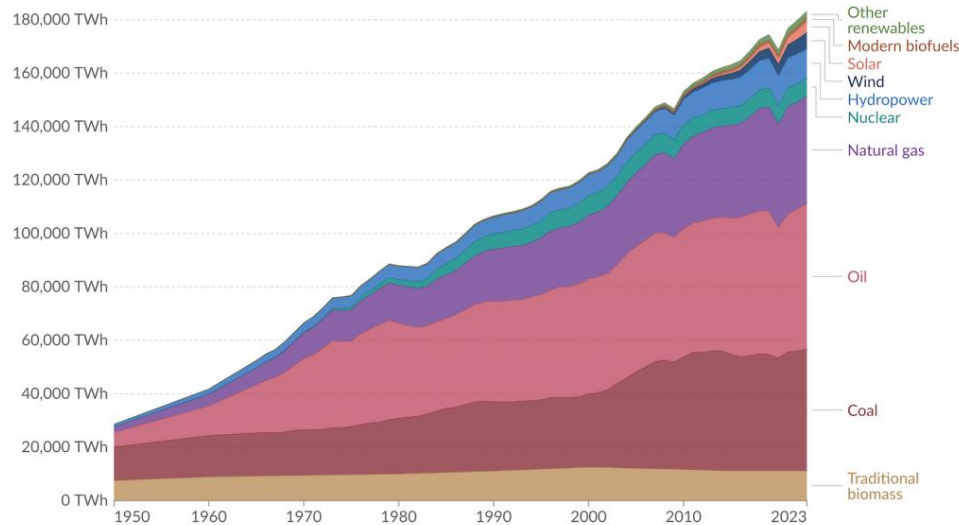
'It Ain't What You Don't Know That Gets You Into Trouble. It's What You Know for Sure That Just Ain't So'

Mark Twain (attributed)

These are the world's sources of energy, and their uses

Global primary energy consumption by source

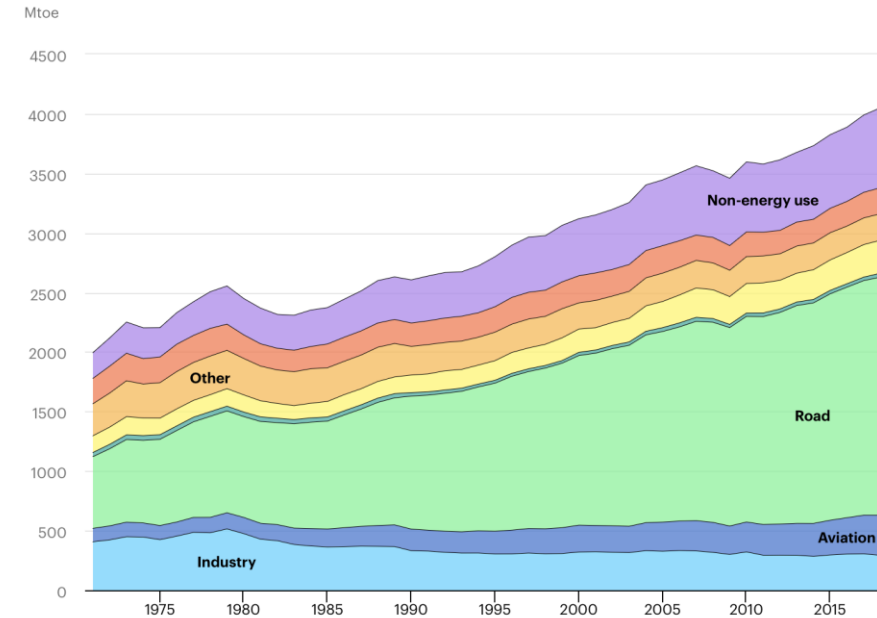
Primary energy¹ is based on the substitution method² and measured in terawatt-hours³.



Data source: Energy Institute - Statistical Review of World Energy (2024); Smil (2017)

Note: In the absence of more recent data, traditional biomass is assumed constant since 2015.

OurWorldInData.org/energy | CC BY



New sources of energy are added to, not exchanged for, old ones

Oil is special in that it's not fungible for transportation (gas, coal?) and very little for other applications (fertilizers, plastics) And transportation is the essence of commerce, and commerce is the essence of the wealth of nations

In addition, electricity generation, transmission, and utilization requires copper (not included as a source of energy, obviously)

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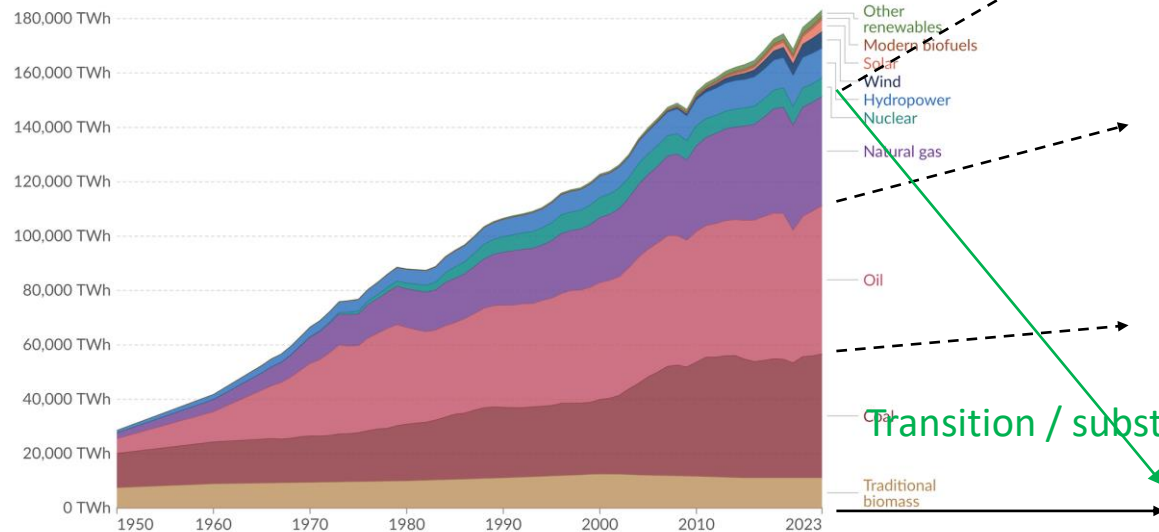
Mark Twain (attributed)

The future must be possible

Where will the extra 50% needed come from?

Global primary energy consumption by source

Primary energy¹ is based on the substitution method² and measured in terawatt-hours³.



Data source: Energy Institute - Statistical Review of World Energy (2024); Smil (2017)

Note: In the absence of more recent data, traditional biomass is assumed constant since 2015.

OurWorldInData.org/energy | CC BY

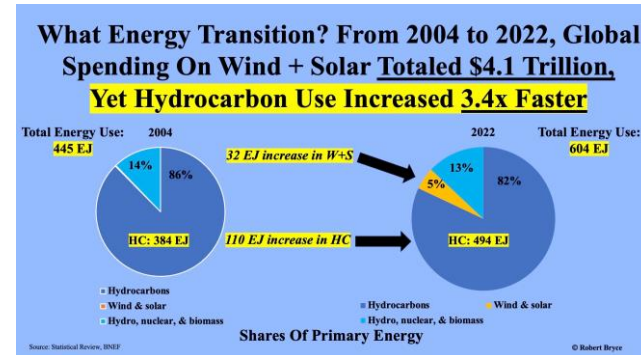
Any energy source must meet these criteria:

- Available
- Affordable
- Politically neutral
- Abundant
- Emissions?

Renewables

Solar and wind have several serious problems:

- Intermittency
- Location
- Very high total costs
- Limits are being reached



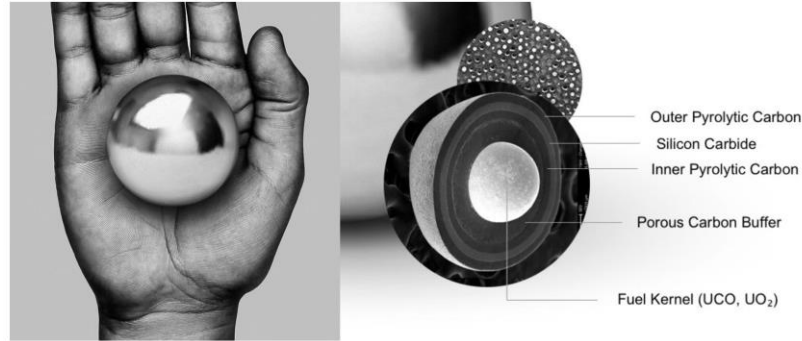
Other renewables have issues

- Hydro: orography
- Bio mass: scale, reality
- Bio fuels (ethanol, SAF): negative EROEI, scale



Nuclear

- Nuclear meets many of the criteria for a good source of energy, and generates no CO₂
- But its development has been blocked for 50 years, despite being, statistically, the safest form of energy production



Arbaat Dam collapse	
Date	24 August 2024
Location	Port Sudan , Red Sea State , Sudan
Cause	Severe rainfall and floodwaters
Deaths	148+ ^[1]
Non-fatal injuries	170+ ^[1]
Missing	150–200 ^[1]
Property damage	•One dam collapsed •20 villages destroyed •Houses of 50,000 residents damaged/destroyed

- Current conditions make it essentially impossible for private companies to develop nuclear plants, and electricity generation has been privatized almost everywhere in the West
- Only China has the critical volume to develop new technologies (modular, fail-safe...), and will take advantage of it over the next 30 years
- It will not make a difference in the West

Coal

Coal is the commodity that meets the criteria best:

Abundant (almost) everywhere

Easy to transport

Easy to store

Inexpensive

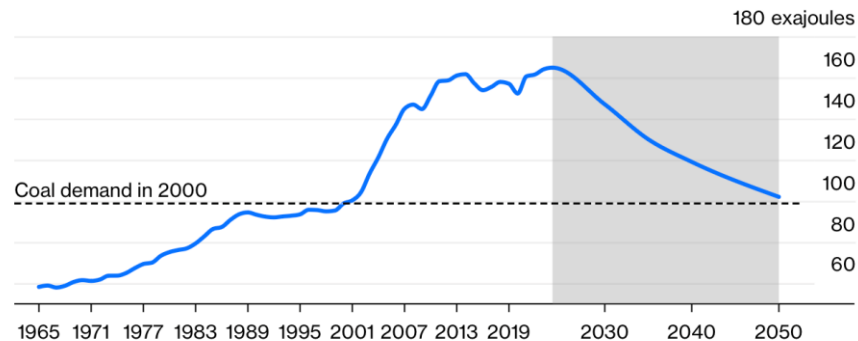
The technology is extremely well known and optimized

High CO₂ emissions

Whenever there is a problem in the world energy system, governments revert to it:

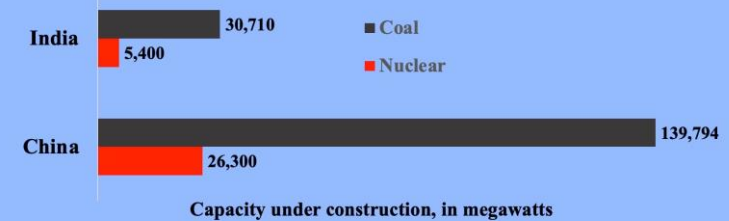
Global consumption of coal will rise to an all-time high this year, and under current trends consumption will be higher in 2050 than it was in 2000

■ IEA stated policies scenario



Source: Bloomberg calculations based on data from International Energy Agency

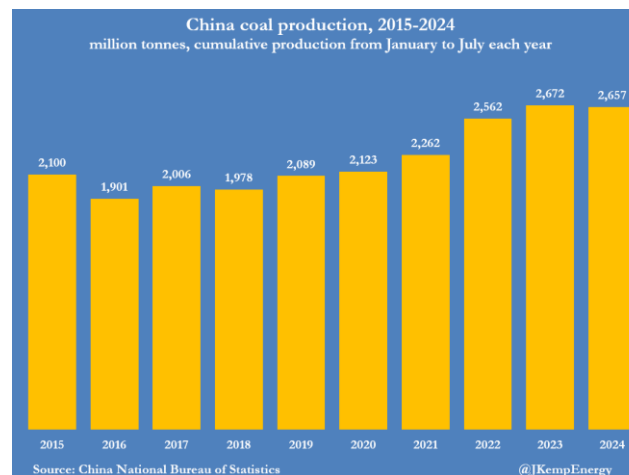
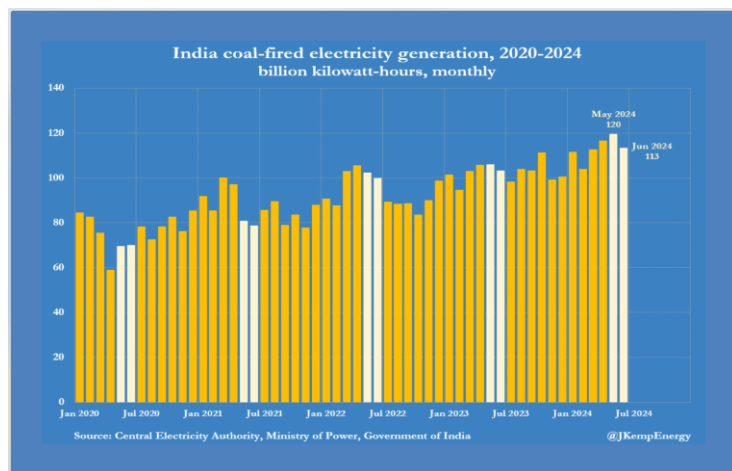
More Than Half Of New Global Nuclear Capacity Is Being Built In China & India, But Their Coal-Fired Capacity Is Growing >5x Faster



Sources: IAEA <https://pdx.iaea.org/pdx/iaea-statistics/under-construction/sector-by-country.aspx>
Global Energy Monitor <https://globalenergymonitor.org/projects/coal-coal-plant-roster/summary-table/>

© Robert Bryce

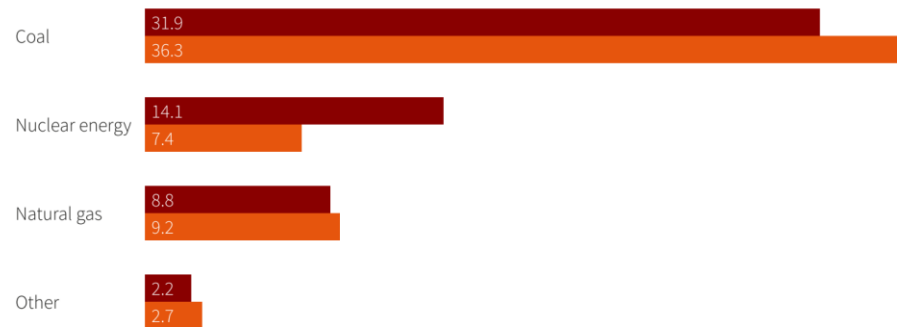
When push comes to shove...



Gemany's shift back to coal

Electricity from coal jumped in the third quarter as the nation resorted to the dirty fuel to cover its needs amid an energy crisis.

● Q3 2021 ● Q3 2022



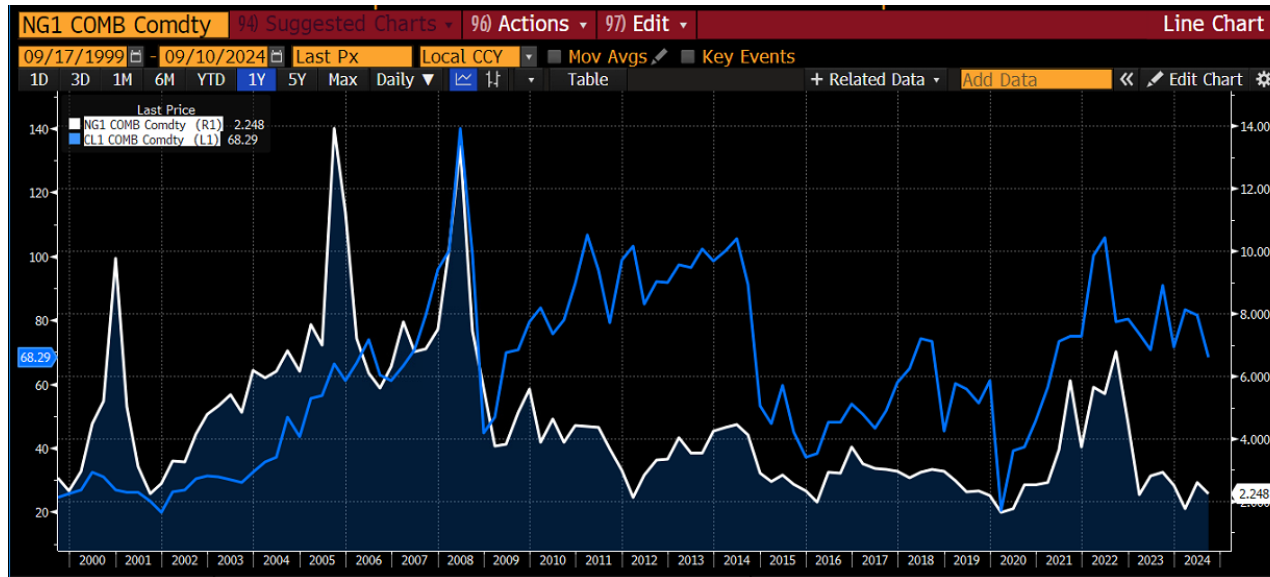
Note: Figures are percentages of electricity produced by various non-renewable energy sources.
Source: Destatis

Natural gas

Natural gas meets many criteria:

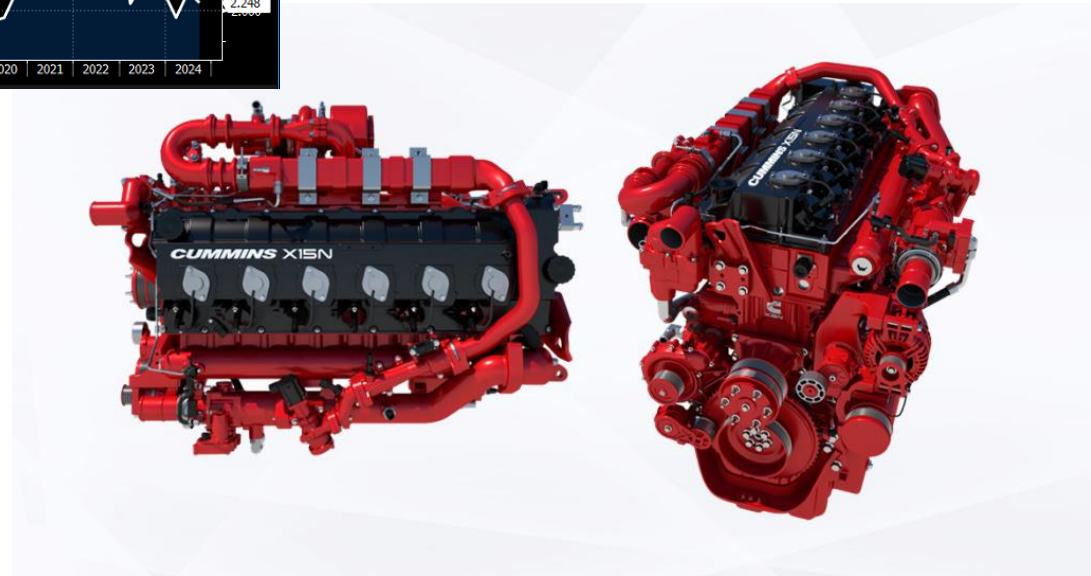
- Abundant
- Can be transported and stored: needs specialized infrastructure, but it's been built
- There are enough producers, current and potential, to alleviate political risks
- The technology is well-known and optimized (same generating mechanism as coal, more than 200 years in development)
- Very important: it's starting to substitute for oil in heavy transportation
- Lower CO₂ emissions than coal, higher than nuclear, hydro

There is a huge arbitrage being closed right now...



China's sales of heavy-duty trucks powered by liquefied natural gas (LNG) rose from below 10% to reach as much as 30% of the market in the latter months of 2023 resulting in the displacement of over 8% of road diesel demand in the country.

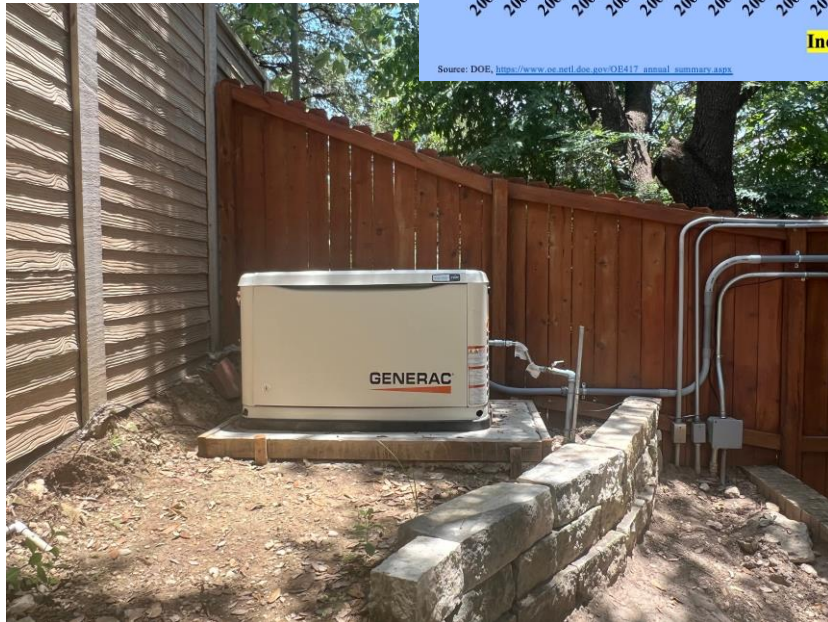
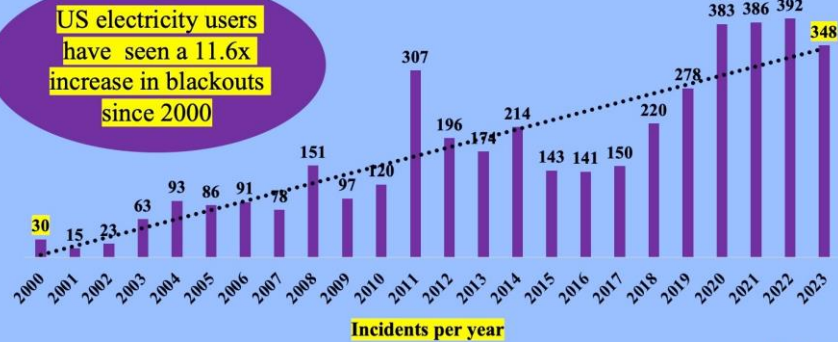
Source: Wood Mackenzie



And transmission deficiencies encourage use of fossil fuels

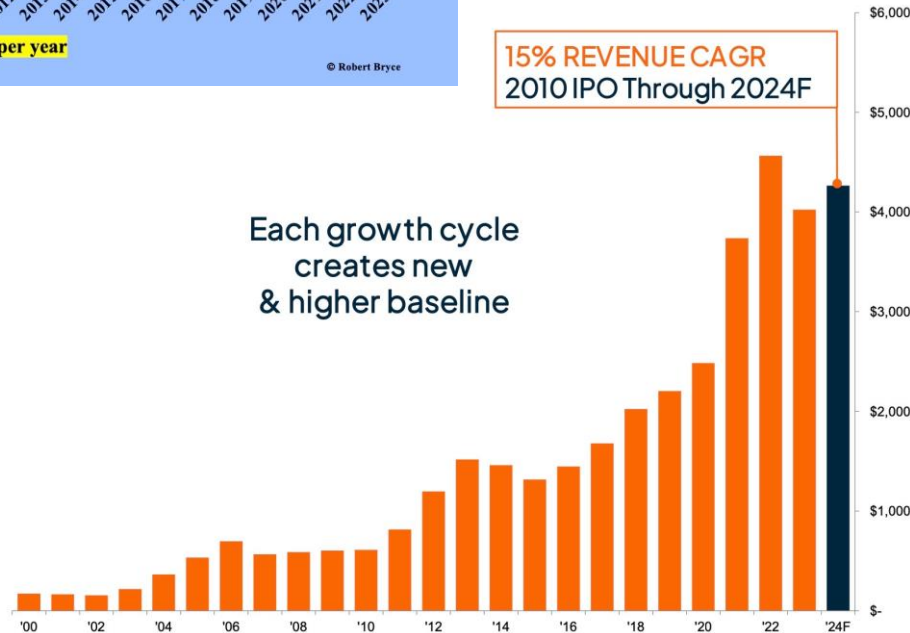
DOE: “Major Disturbances and Unusual Occurrences” On U.S. Grid, 2000 to 2023

US electricity users
have seen a 11.6x
increase in blackouts
since 2000



15% REVENUE CAGR
2010 IPO Through 2024F

Each growth cycle
creates new
& higher baseline



Long shots

Fusion: not dissimilar to fission in economic terms

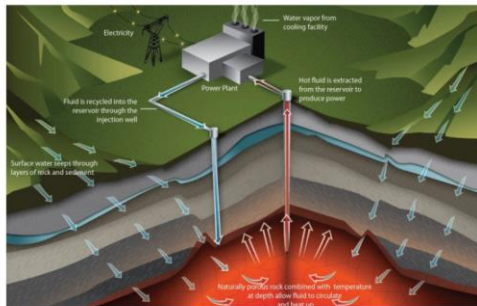
Nuclear batteries

Geothermal: lateral drilling, fracking, infrastructure...

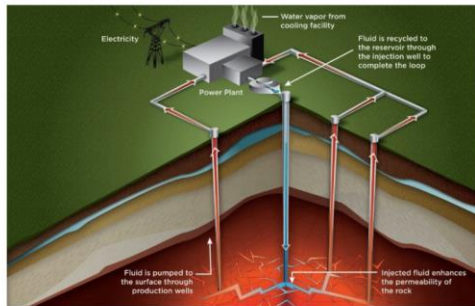
"Natural" Hydrogen



A geothermal resource requires fluid, heat, and permeability to generate electricity. **Conventional hydrothermal resources** contain all three naturally.



Enhanced geothermal systems engineer a resource by creating permeability and injecting fluid wherever there is hot rock at accessible depths.



A 2016 National Renewable Energy Laboratory study found that there is enough geothermal energy within a subsurface depth of 5 km – commercially accessible today – to fully satisfy U.S. electrical demands. The report also found that within a subsurface depth of 7 km, there is an electricity generating potential that can meet U.S. electrical demands five times over.

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Investment implications

Be careful with non-profitable sources (renewables, EROEI): political risk, excess supply and technological risk (lithium, cobalt)

Long shots are best deal with by venture capital set ups

Underinvested commodities: oil

Overlooked commodities: coal

Enabling (and underinvested) commodities: copper

Enabling technologies: natural gas (GTT), mining prospecting (Ivanhoe Electric)...

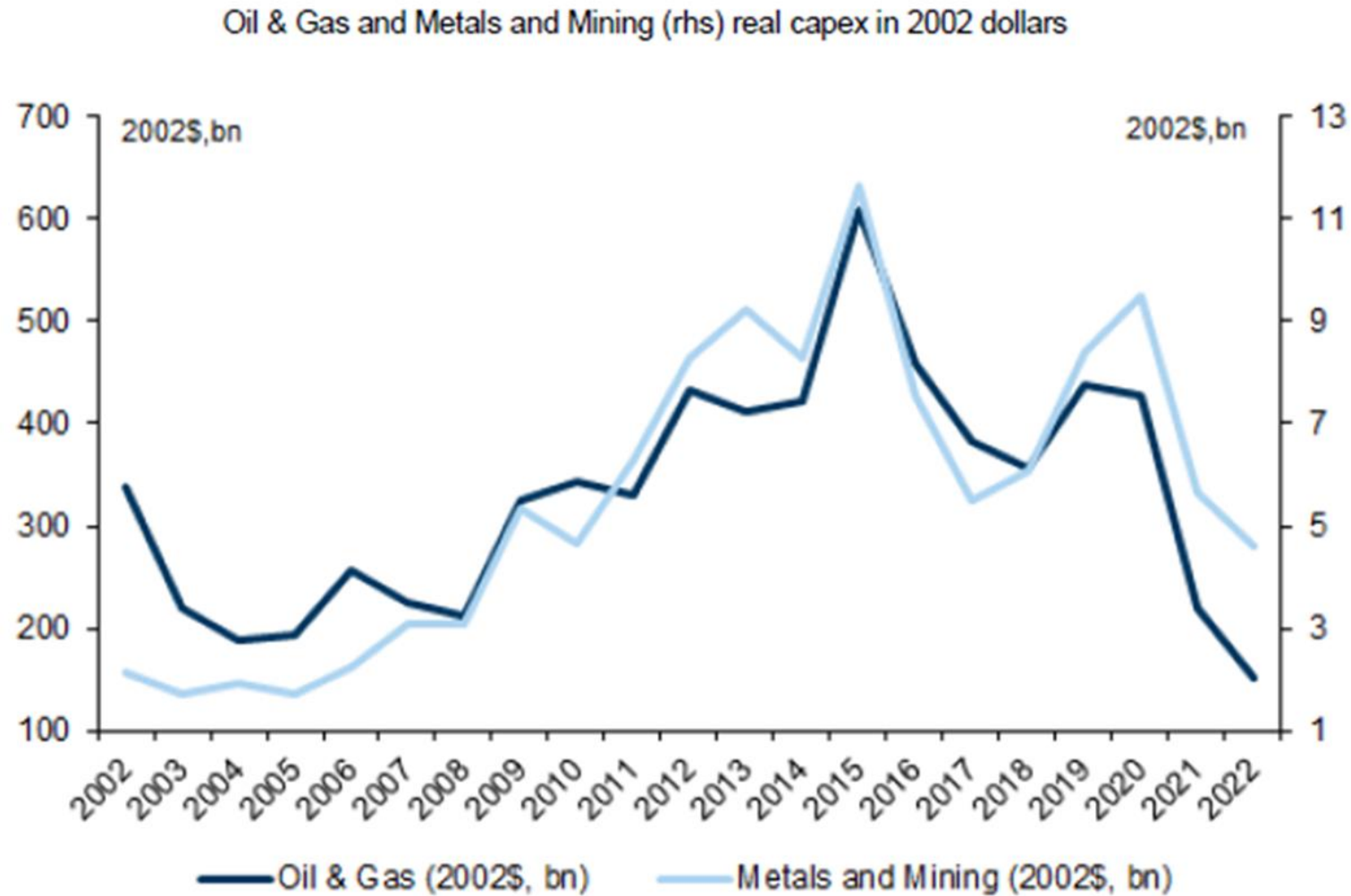
Geopolitical considerations: extremely strong US position; very weak European industrial future; increasing China control of future technologies

ENERGY USAGE IS TO CONTINUE GROWING AT THE FASTEST PACE EVER

“3 times in a century”



Guns or butter



High or low?

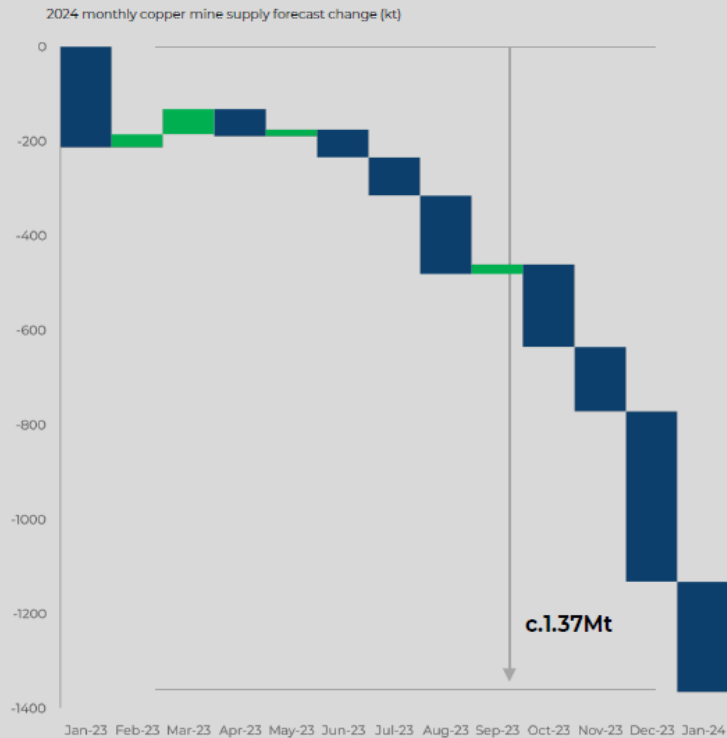


Prices are too low (it's huge, 22 Mt production p.a.)

POSITIONED FOR THE FUTURE

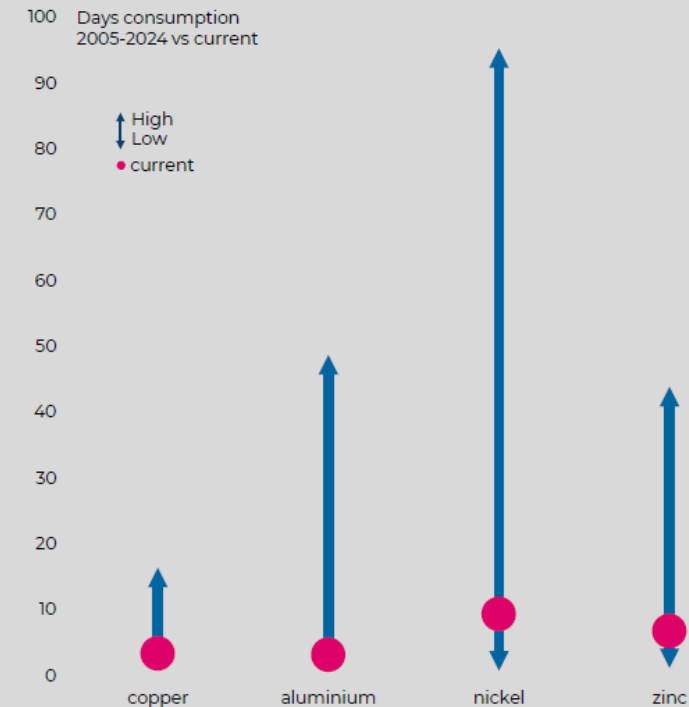
energising today | advancing tomorrow: while copper supply tightens

2024 copper mine supply forecasts have fallen almost 1.4Mt over the last year¹



Notes: (1) Data: Wood Mackenzie Global Copper Short-term Outlooks Jan-Dec 2023, Jan 2024. (2) Data: Bloomberg, Glencore estimates

Metal exchange stocks remain close to historical lows²

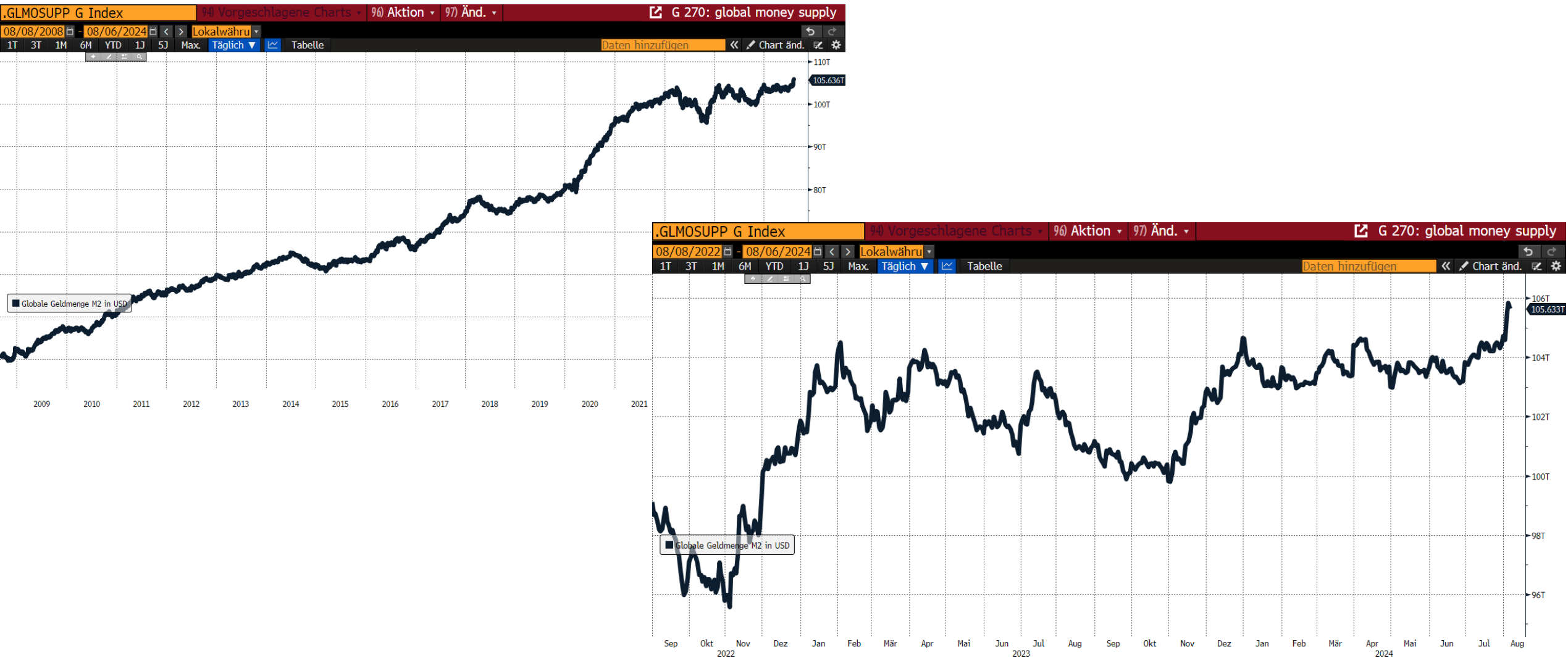


GLENCORE

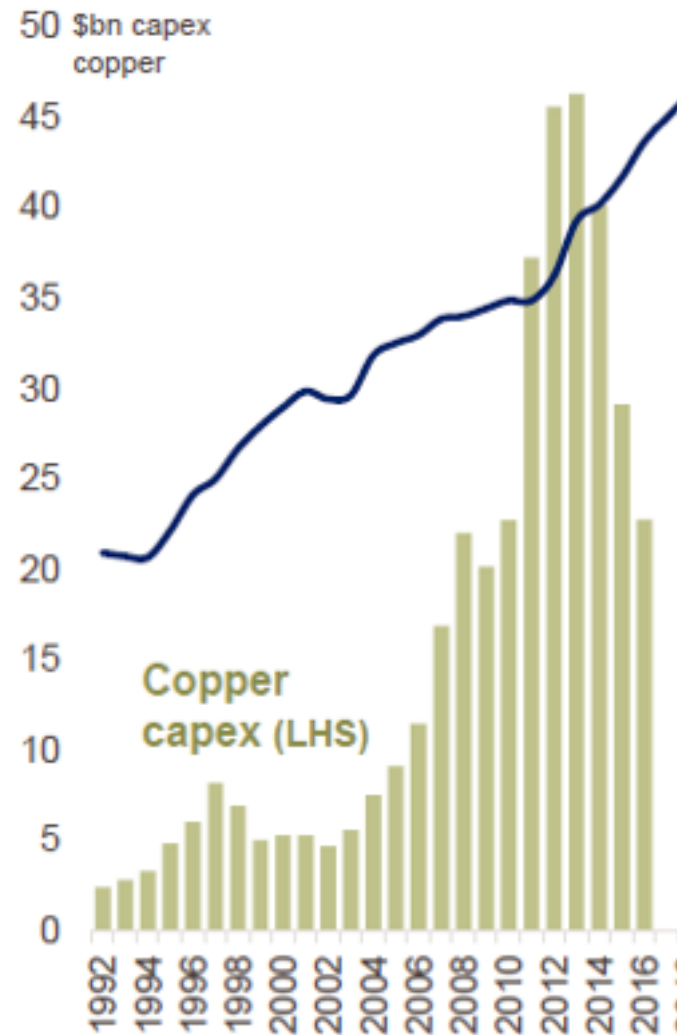
2023 Preliminary Results

23

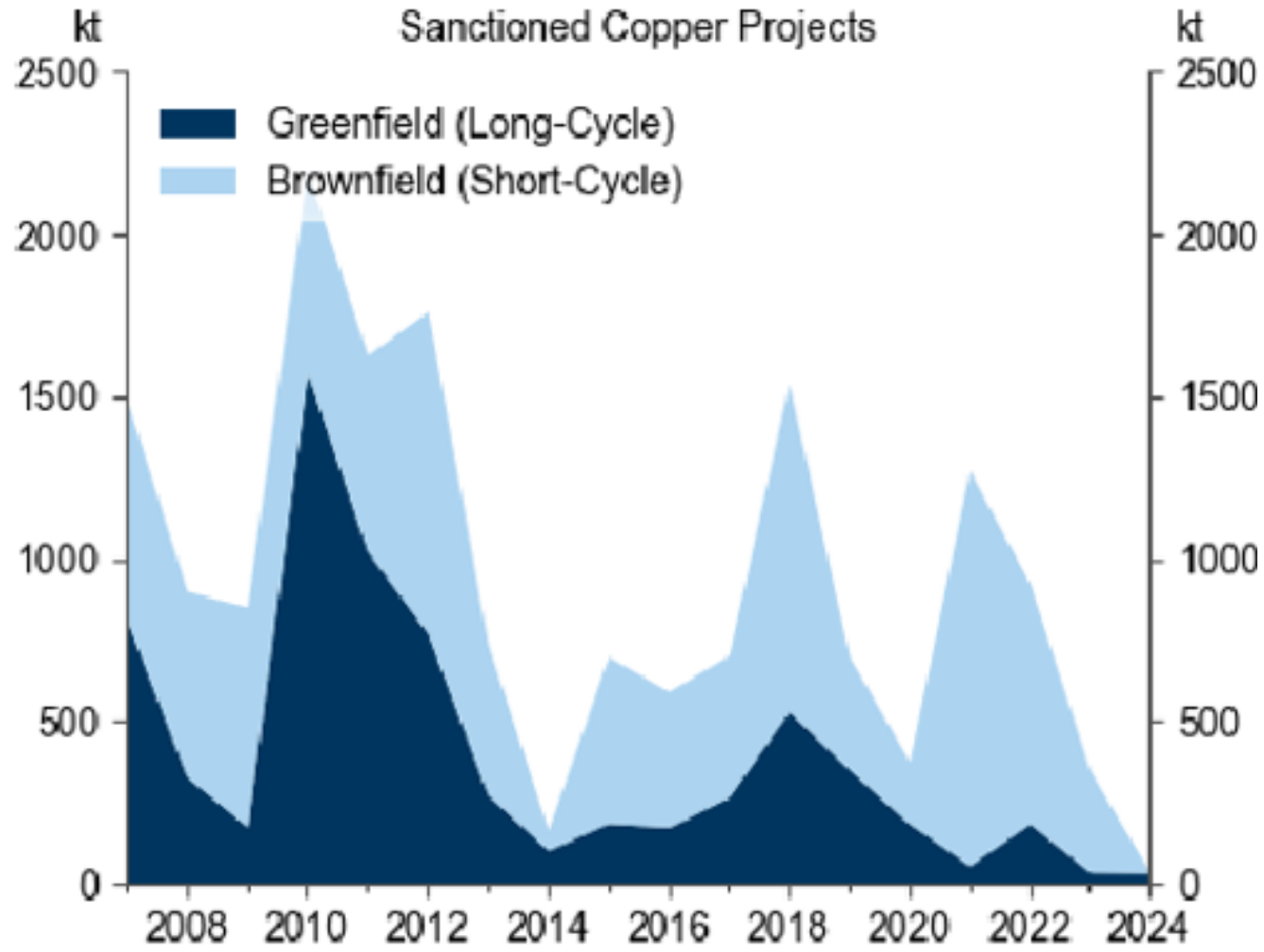
Global liquidity enters new expansion cycle



Your money is not lost, it just belongs to someone else.



In the future, one will need Greenfield



Financials can never deliver (aka cocoa, copper, etc.)



„They talk when they should listen.“ Don Vito Corleone

[Occidental's CEO Sees Oil Supply Crunch from 2025 | OilPrice.com](#)

[Aramco CEO says underinvestment in hydrocarbons causing energy crisis - Fast Company Middle East | The future of tech, business and innovation. \(fastcompany.com\)](#)

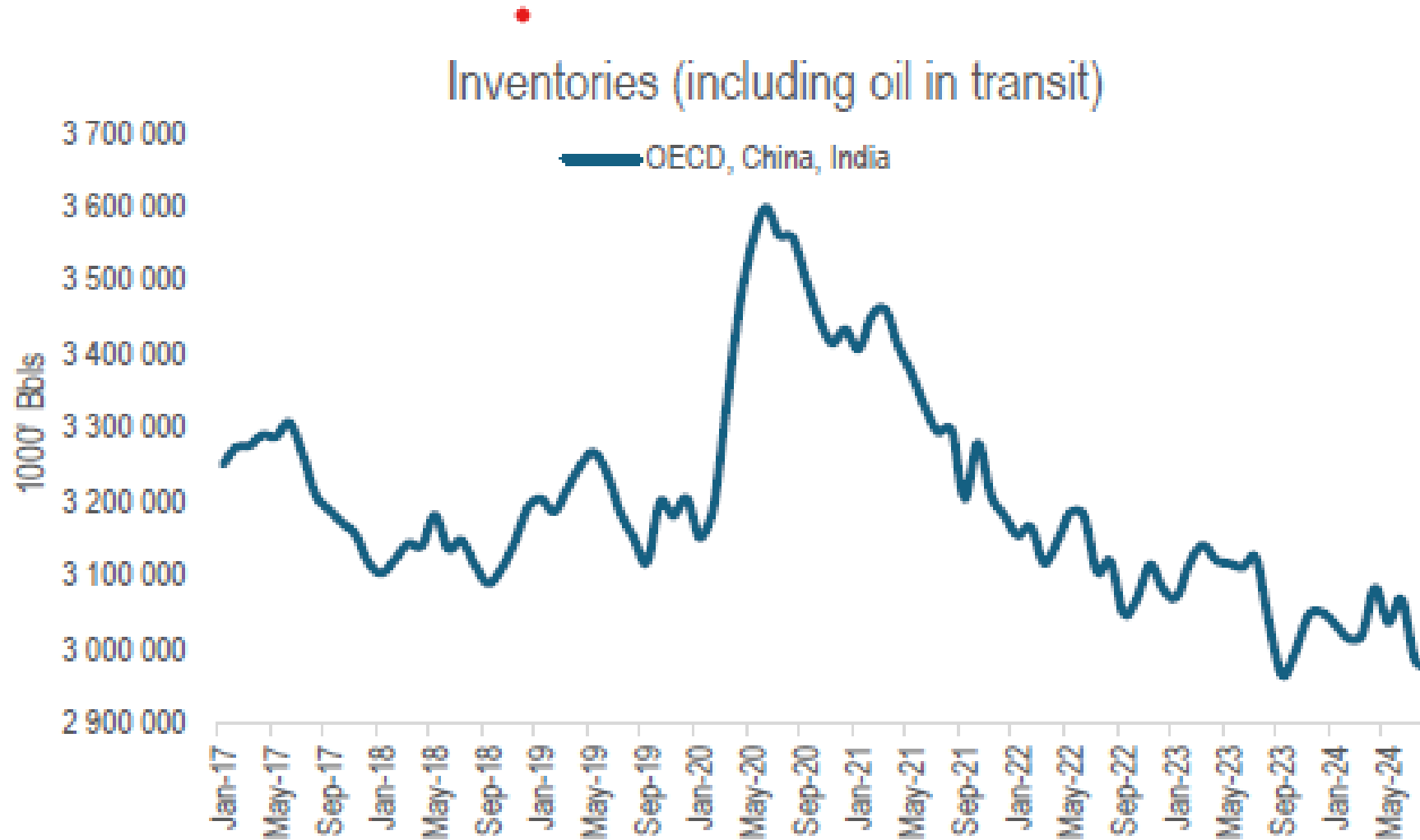
[Oil supply future at threat from underinvestment, Aramco CEO says \(cnbc.com\)](#)

[Rosneft CEO says growth of global oil price inevitable due to shortage of investment - Business & Economy - TASS](#)

[Energy transition is not backed up with required resources and technologies – Igor Sechin \(portnews.ru\)](#)

[Exxon Joins OPEC in Warning of Looming Oil Supply Crisis | OilPrice.com](#)

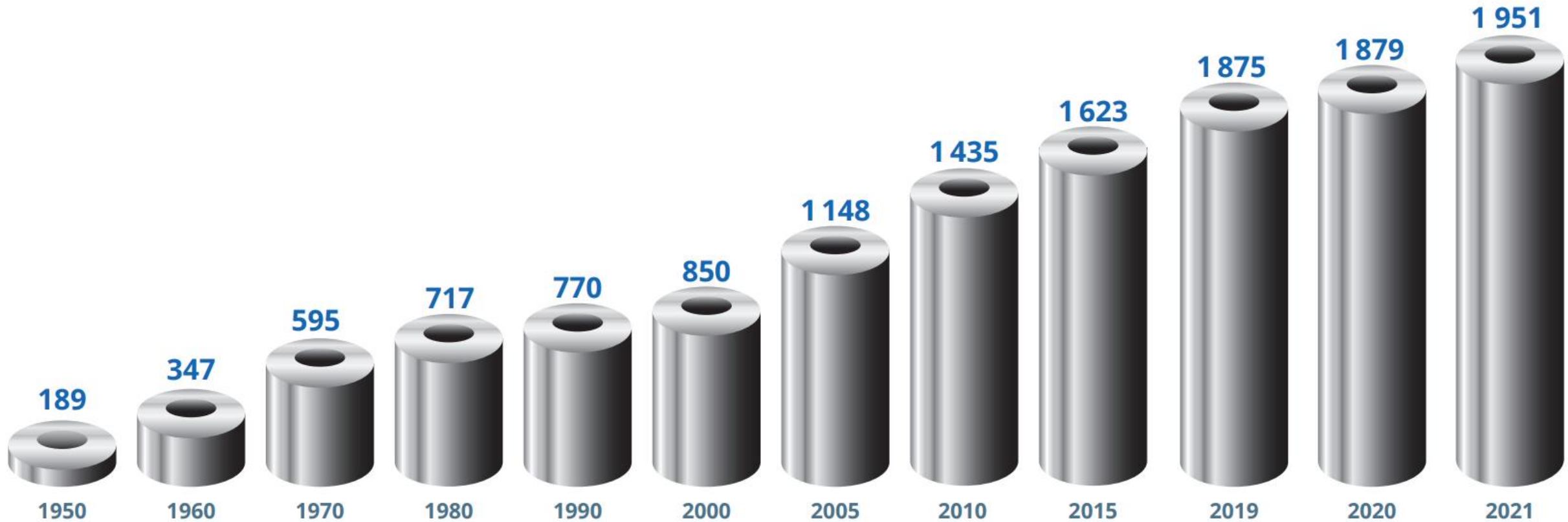
Whipsaw effect



Source: Frontline

The world's development ends now. (Once again...)

World crude steel production 1950 to 2021 (million tonnes)



China's steel consumption ends now...

China Imports of Iron Ores & Concentrate

Summary

Download ▾

Imports of Iron Ores & Concentrate in China increased to 27448964 USD Thousand in February from 12431921 US Thousand in December of 2023. Imports of Iron Ores & Concentrate in China averaged 5764987.44 USD Thousand from 2000 until 2024, reaching an all time high of 27448964.00 USD Thousand in February of 2024 and a record low of 125951.00 USD Thousand in February of 2000. source: National Bureau of Statistics of China



1Y

5Y

10Y

MAX



Compare +



Export



API



USD Thousand



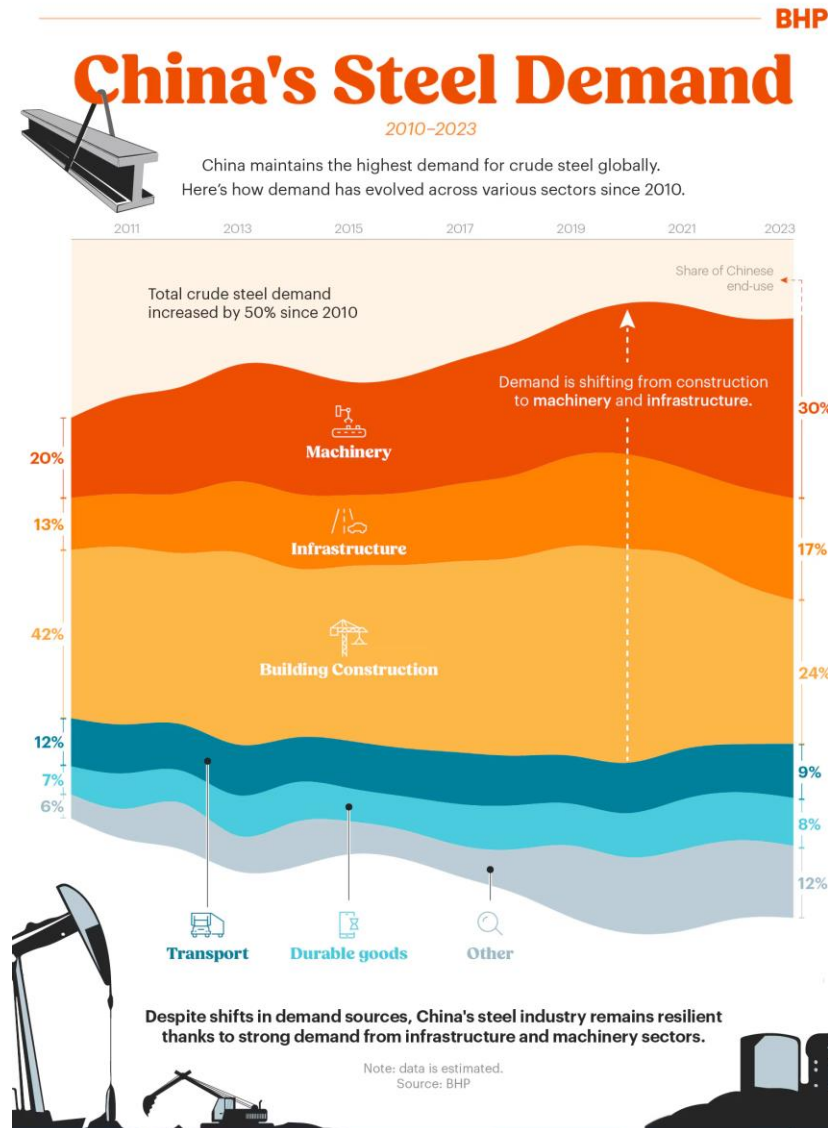
National Bureau of Statistics of China

Value

Chg

Chg%

Other stuff than houses are being built...



Same story everywhere...

Apparent steel use per capita
2018 to 2022

kilograms, finished steel products

	2018	2019	2020	2021	2022
Austria	473.4	448.2	409.6	504.0	476.3
Belgium-Luxembourg	373.3	281.3	243.8	392.8	283.3
Czechia	685.9	637.1	586.6	743.0	631.1
France	231.0	226.1	189.4	213.7	156.2
Germany	478.3	422.6	376.1	425.7	379.0
Italy	422.9	418.3	343.1	449.3	421.9
Netherlands	262.5	265.8	237.6	269.9	295.8
Poland	386.7	354.2	336.0	398.3	332.5
Romania	233.2	232.5	212.2	220.2	194.8
Spain	295.7	280.9	245.8	274.4	261.6
Sweden	399.8	370.1	302.2	361.1	335.5
Other EU (27)	261.2	259.5	245.0	272.7	267.1
European Union (27)	353.0	331.8	293.5	346.1	310.3
Türkiye	370.2	312.4	350.4	393.7	359.8
United Kingdom	162.9	153.5	133.7	160.8	136.3
Others	207.6	209.0	198.2	209.6	157.6
Other Europe	265.3	235.9	244.3	276.4	242.9
Russia	283.7	298.6	290.6	302.7	288.3
Ukraine	105.1	105.3	104.8	109.4	54.7
Other CIS	93.1	98.0	102.1	94.8	66.1
Russia & other CIS + Ukraine	190.0	198.8	195.9	199.6	175.0
Canada	408.2	345.8	361.4	379.2	351.6
Mexico	204.0	195.3	173.6	201.7	194.8
United States	300.4	291.9	238.2	288.0	279.4
Other North America	45.9	47.7	37.9	50.0	43.2

Argentina	108.7	87.6	79.8	111.2	112.0
Brazil	100.9	99.0	100.6	122.9	109.0
Venezuela	5.7	4.5	3.2	3.6	3.7
Other South America	87.6	87.5	70.8	98.1	84.9
South America	90.6	87.6	82.0	105.6	94.4
Egypt	106.7	98.0	90.2	93.4	100.3
South Africa	88.4	81.8	63.8	84.2	73.1
Other Africa	19.7	22.3	19.5	19.6	19.6
Africa	29.7	31.0	27.0	28.2	28.1
Iran	228.4	213.6	197.1	207.4	215.4
Other Middle East	183.2	176.4	165.7	170.2	169.2
Middle East	197.9	188.4	175.8	182.1	183.9
China	590.0	641.3	707.6	669.0	645.8
India	70.7	74.2	64.0	75.5	81.1
Japan	518.1	502.5	420.3	460.7	443.6
South Korea	1 039.3	1 027.5	948.9	1 081.2	988.0
Taiwan, China	749.7	740.8	788.9	886.1	728.2
Other Asia	89.0	90.0	78.7	82.1	79.6
Asia	282.5	299.8	311.2	305.1	294.7
Oceania	155.2	152.5	139.8	163.4	162.2

Habsburg, USA, Europe, Japan, Korea, China, full stop?

Demand for steel in India will reach 221-275 million tons by FY 2033/2034

[Читайте українською](#)[Читайте на русском](#)

[Halina Yermolenko](#)

The average annual growth rate will be 5-7.3%

The average annual growth rate of total steel demand in India over the next decade will be 5-7.3%. Such a forecast in its latest [report](#) is given by the consulting corporation Deloitte, reports Business Standard.

Africa Steel Market Size

“

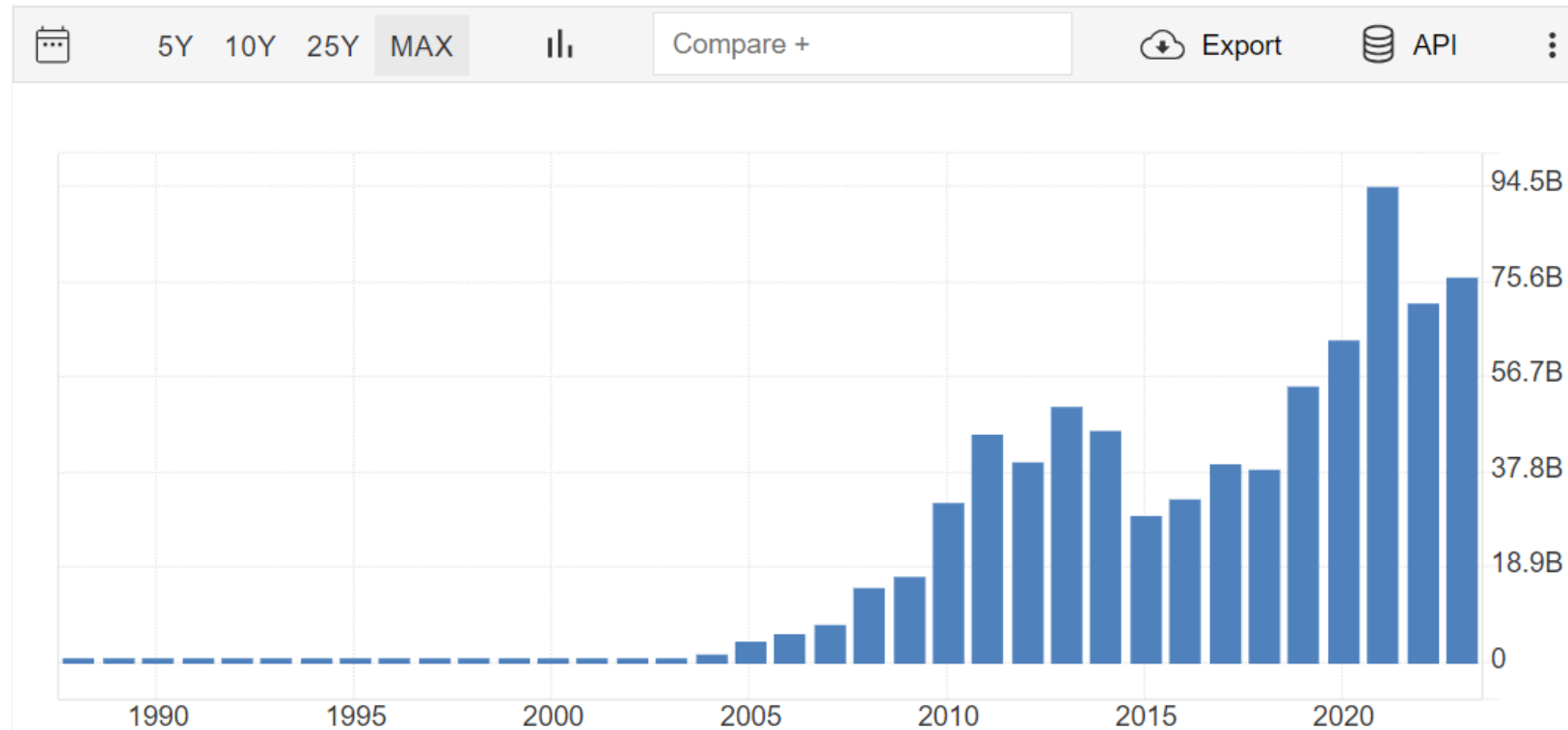
*The Africa steel market reached a volume of approximately **39.49 million tons in 2023**. The market is further expected to grow at a CAGR of 3.10% between 2024 and 2032, reaching a volume of **51.86 million tons by 2032**.*

The Indonesian Iron & Steel Industry Association (IISIA) predicts that national steel consumption will grow by 5.2 percent to reach 18.3 million tons in 2024 in line increasing demand due to growth in the property sector, government infrastructure spending, and the automotive steel-consuming industry.

Wrong place on the planet turns into the right place

Australia Exports of iron ores and concentrates to China

Australia Exports of iron ores and concentrates to China was US\$76.69 Billion during 2023, according to the United Nations COMTRADE database on international trade. Australia Exports of iron ores and concentrates to China - data, historical chart and statistics - was last updated on September of 2024.





SIA Funds AG. LTIF Natural Resources

UNDERSTANDING COMMODITIES
12th SEPTEMBER 2024

Contents

- 01 SIA FUNDS
- 02 INVESTING IN COMMODITIES (I): SIA Basics - 4G's
- 03 INVESTING IN COMMODITIES (II): SIA 20 years of Learnings
- 04 COMMODITY FUNDAMENTALS: Supply - Demand Prices
- 05 THE LTIF NATURAL RESOURCES: Current positioning
- 06 SIA PROPOSITION: “Our approach is partnership”

01 SIA FUNDS

Investment Boutique VS. Institutional

“We like what we do”

- **Swiss Asset Manager:** Regulated by FINMA. Based in Lachen (Zürich).
- **Boutique Type:** EUR 250 million AuM. 4 investment professionals with more than 25 years of experience.
- **Strategic Value (Quality):** Long-Term investors.
- **LTIF Classic (Global Value):** 12% p.a. past 5 years. 10.5% p.a. past 13 years.
- **LTIF Natural Resources:** 12% p.a. past 5 years since commodities cycle started.

SIA's Investment Committee

PARTNERS



Jose Carlos Jarillo
Professor



Urs Marti
Natural Resources

MANAGING PARTNERS



Alex Rauchenstein



Marcos Hernández Aguado
CIO. Portfolio Manager

**+30 years'
experience**

**Invested in
SIA Funds**

**Unconstrained
decision making**

02

INVESTING IN COMMODITIES (I)

SIA Basics - 4G's

I) Look for Quality Assets:

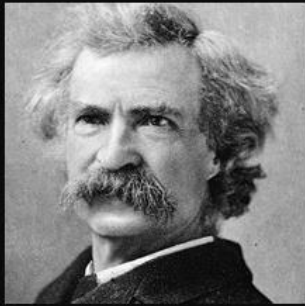
- Low-Cost
- Low Capital Invested
- Long Life (reserves)
- Infrastructures
- Safe Jurisdictions
- Exploration potential
- Good technical team

*Teck Resources, Antofagasta,
Freeport McMoran*

\$/lb Copper Payable

	Q4 2023	Q4 2022	FY2023	FY2022
Mining	0.92	0.70	0.86	0.79
Processing	0.84	1.11	0.89	1.31
Other site operating costs	0.67	0.59	0.56	0.54
Total site operating costs	2.44	2.40	2.30	2.65
By-product credits	(0.11)	(0.07)	(0.09)	(0.08)
Freight, treatment charges & other offsite costs	0.57	0.57	0.58	0.60
Total offsite costs	0.47	0.50	0.49	0.52
Cash costs	2.90	2.90	2.79	3.16
			~12% reduction	
Cash costs	2.90	2.90	2.79	3.16
Corporate costs	0.09	0.09	0.08	0.08
Sustaining capital (excl. one-off tailings expansion)	0.02	0.06	0.03	0.06
Capitalised stripping costs	0.08	-	0.12	0.01
Other costs	0.06	0.08	0.07	0.06
Total AISC	3.16	3.12	3.09	3.37
			~8% reduction	

II) Look for Quality Managers:



A mine is a hole in the ground
with a liar on top.

~ Mark Twain

If you give a driller a dollar...

“I don’t mean to offend any Texans in the room,
but if you ever met anybody from Texas, those
guys know how to gamble, and if you let them
stick a hole in the ground with your money,
they’re going to do it.”

– Stanley Druckenmiller, Jan. 18, 2015

“Commodities are capital intensive,
with or without reserves!”

- Experienced in the commodity space - geology (avoid financially skilled)
- Understand the sector cyclicalities: low cost, returns, and BS
- Aligned with minorities

GLENCORE: Price VS. Volume, Low Cost, Contrarian.

III) Avoid Leverage:



- Oil Prices collapsed 2020
- HBR moved fast into losses
- Covenants kicked in
- Debt tenants forced a fire sale to Chrysaor

A highly cyclical business cannot be run with high debt. Sooner or later bankrupt knocks...

“TOXIC COCKTAIL”= COMMODITY VOLATILITY + OPERATING LEVERAGE + FINANCIAL LEVERAGE

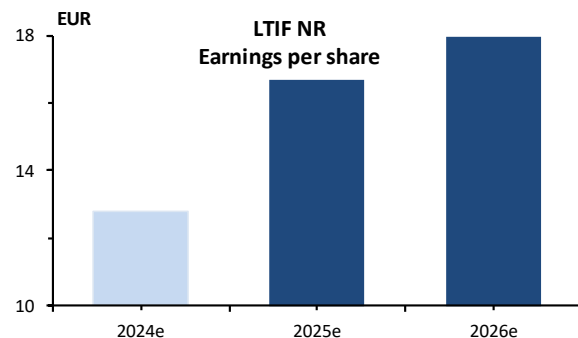
IV) Buy Cheap. Value applied to commodities:

- Unique to see a value manager running a NR fund
- We build a DCF with IV and IRR using mid-cycle numbers
- We buy below mid-cycle: real downside protection
- We take advantage of large vola to rebalance

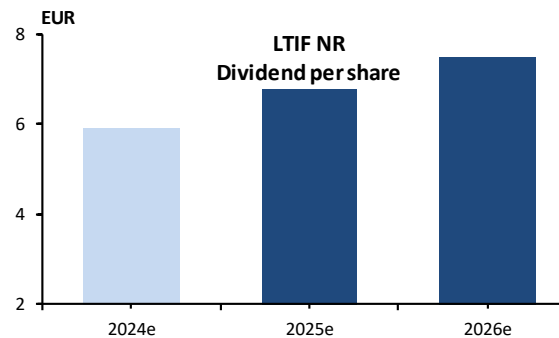
Reporting LTIF NR as of 30.06.24 (aggregated data in EUR)

Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%
31.12.2022	138.4	12.9%
31.12.2023	150.3	8.6%

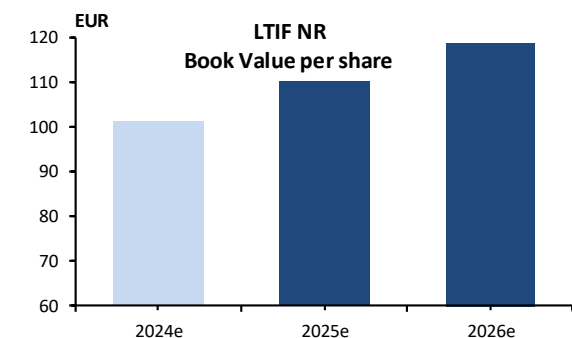
Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2024e	12.8		13.6	7.3%	12.2	8.2%
2025e	16.7	31%	10.4	9.6%	10.8	9.3%
2026e	17.9	7%	9.7	10.3%	10.6	9.5%



Year	DPS	%	Div. Yield	S&P NR Div. Yield
2024e	5.9		3.4%	3.5%
2025e	6.8	14%	3.9%	3.7%
2026e	7.5	10%	4.3%	3.9%



Year	BPS	%	P/B	S&P NR P/B
2024e	101.3		1.7	1.7
2025e	110.2	9%	1.6	1.5
2026e	118.5	8%	1.5	1.4



03

INVESTING IN COMMODITIES (II)

SIA Key Learnings from 20 years of Performance

I) Very Long-Term Approach:

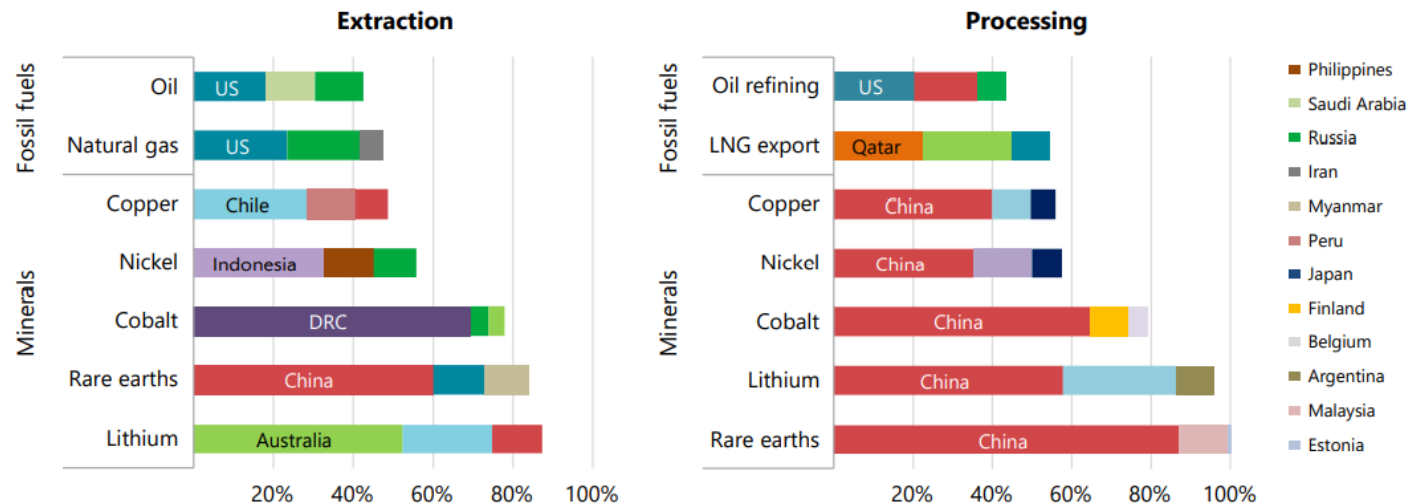


- Commodities require a long-term approach
- It takes **5-15 years** to bring new supply from scratch
- Complete mismatch with equities, quarterly oriented

II) Safe Jurisdictions:

Many mineral supply chains lack diversity

Share of top three producing countries in production of selected minerals and fossil fuels, 2019



- EM have a high-risk profile (RDC, Peru)
- But DM are risky (UK, NOR)
- Effort to understand risks
- List of non-investable countries (ARG, RUS, CHI)

Production and processing of many minerals such as lithium, cobalt and some rare earth elements are geographically concentrated, with the top three producers accounting for more than 75% of supplies

III) Avoid startups:



- NDM CN
- Tier 1 Copper Mine Alaska
- Permit taking decades if ever
- Funding
- Blinded by upside

Start ups require a different approach... better suited for Majors, Governments, PEquity, VC due to risks and time

IV) Avoid Majors:



- Diversified
- Need to replace large reserves
- Poor marginal investment return
- Institutional constraints: ESG
- Too large to grow
- Wrong timing in acquisitions

Majors are in our view a defensive investment. Underperformed in upturns and outperform in downturns

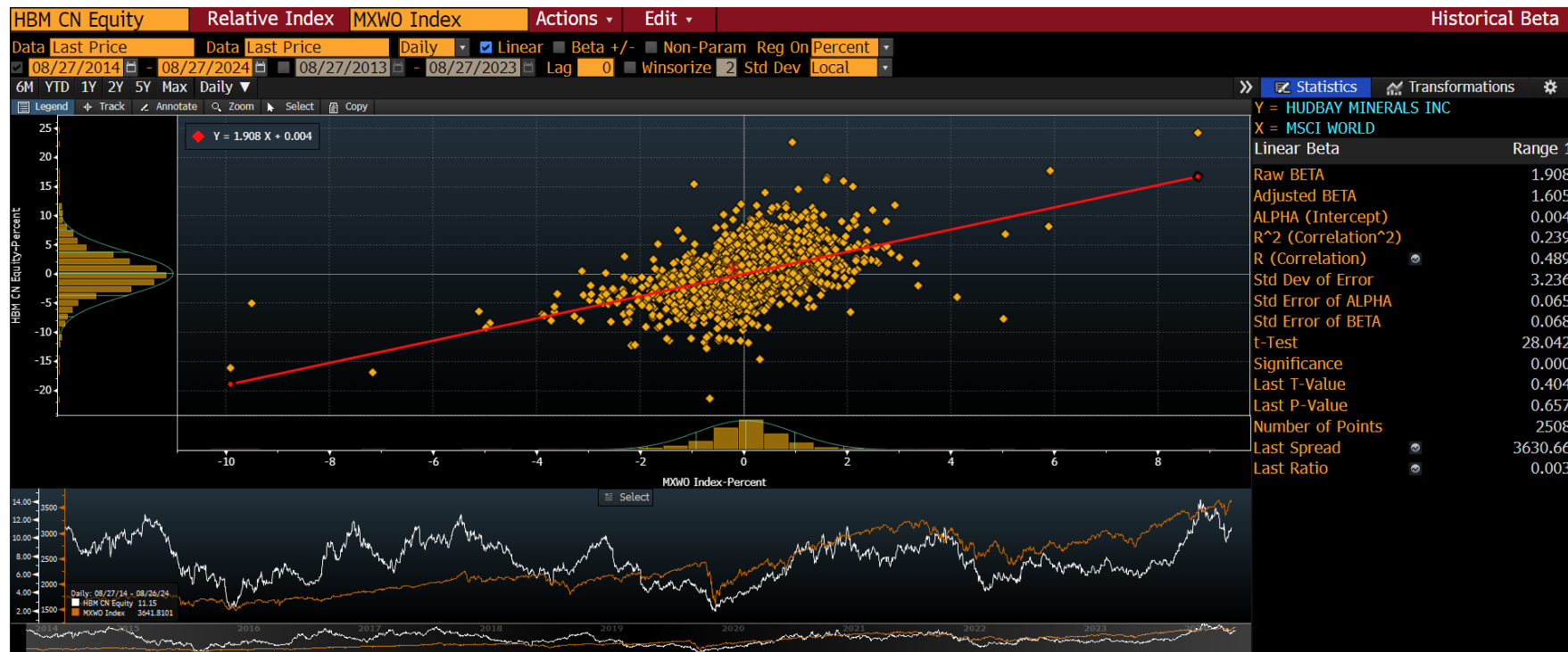
V) Invest in companies, not commodities:



- Commodities do not compound
- Companies re-invest and grow
- Good Management can create value: Projects, M&A, Dividends and Buy Backs

Our experience confirms the outperformance of commodity companies VS. commodities in the long term

VI) Volatility as an opportunity:



- High vola, high beta. Traders know
- Why? Demand and supply are inelastic, and stocks follow the macro, i.e. China
- Volatility is not risk, but it could be very disruptive

Volatility is welcomed. Our Natural Resources LTIF has tripled its value in just 4 years

04

COMMODITY FUNDAMENTALS

Supply / Demand / Prices

I) Understand where we are in the commodities cycle:

- I. **Long cycles.** Investment cycles lead to oversupply and prices collapse (inelasticity)
- II. **Price keeps dropping** until some miners do not cover cash costs. Mines close and investment slumps
- III. **Market slowly moves to undersupply** leading to higher prices and a new investment cycle
- IV. **How long?** Depletion, demand, and time to add capacity. 5 to 15 years.

- **Previous Cycle: 2002-2011**
Downturn: 2011-2019
- **New commodities cycle**
Started in 2020
- **How long? 2020-2030?**

SUPPLY/DEMAND ANALYSIS
UNDERSPENDING CYCLE

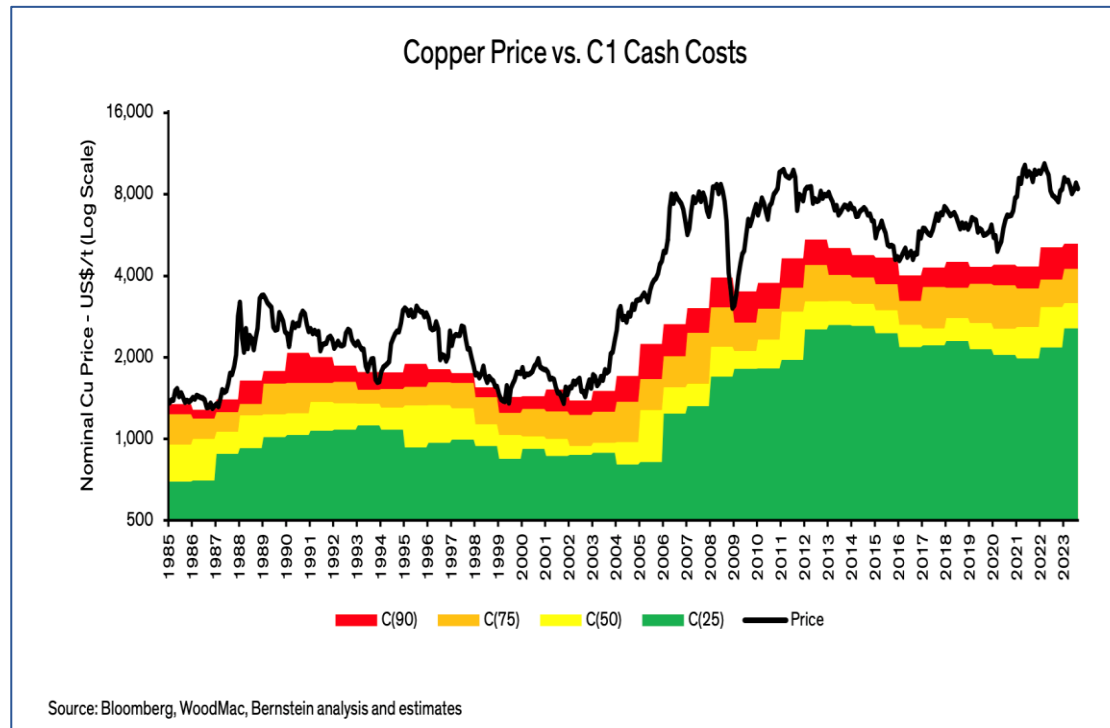
II) Focus on scarcity:

- **Passive and institutional active managers mostly follow the commodities index, market-cap weighted. Little alpha is possible (sector minus fees).**
- **We focus on undersupplied commodities, not paying too much attention to indices. We opportunistically deviate (electric cables, sausage casings).**

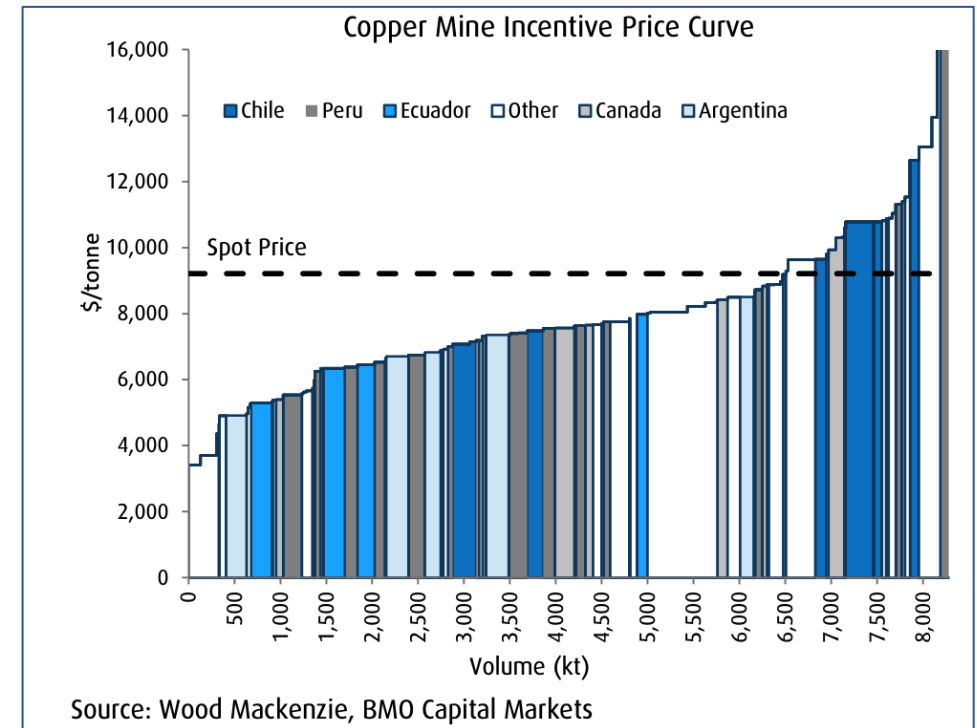
Copper, Oil, Uranium, Salmon are the commodities we find structurally undersupplied
Aluminum and Nickel could also be interesting in the future although there is available supply
Well supplied: Coal, Met Coal, Natural Gas, Iron Ore, Zinc → But we will buy shares at 50% replacement cost

III) Determine Commodity Prices. Convergence:

Commodity lows



Mid-cycle Prices



WHAT ABOUT HIGH PRICES?

IV) Value Commodity Companies. The 360° approach:

- Incentive Price x Unit Production
- Unit Cash Costs
- Capital employed (per unit)
- Mid-Cycle EBITDA/EBIT margin and Mind-Cycle returns
- DCF@ 10% - 12% - 15%
- 360°: DFC, IRR, IV, PER, EV/EBITDA, EV/EBIT, P/B, EV/IC, EV/sales, FCF yield

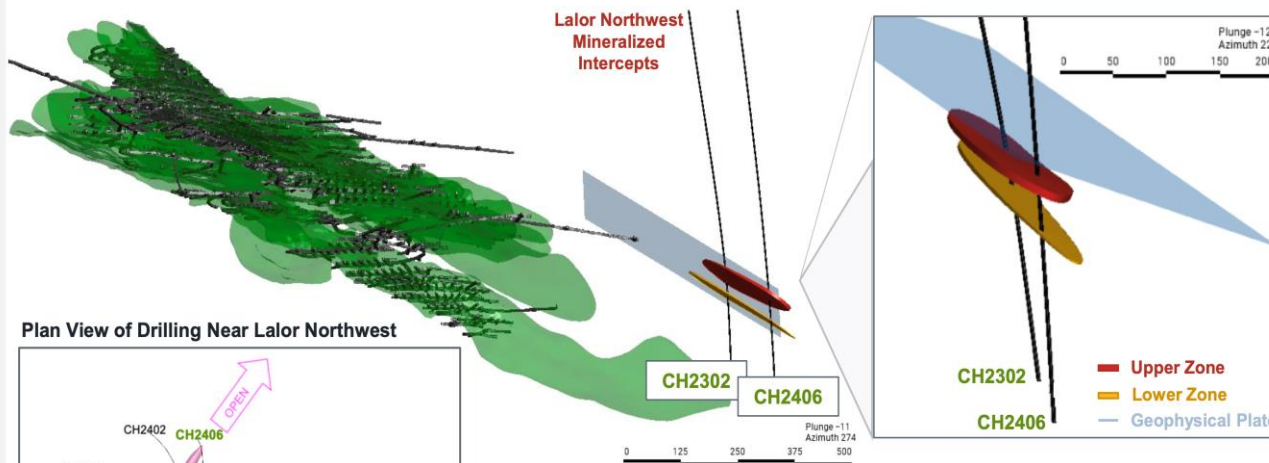
We build an investment case with upside/downside/risks where valuation is ONLY another input

V) Check with Experts... do not trust them

Intersected Significant Copper-Gold Mineralization

- 2024 follow up drilling confirms mineralization initially discovered in 2023
- 2024: 9.0m of 2.88% Cu and 6.27g/t Au
- 2023: 4.8m of 2.97% Cu and 2.92 g/t Au
- Near-term production growth potential with Lalor Northwest located ~400m from existing underground Lalor infrastructure
- Promising results warrant additional drilling in summer 2024 with two rigs currently turning

Lalor Section View with New Discovery Located ~400m from Underground Infrastructure



Lalor Northwest Mineralized Intercepts

Hole	From (m)	To (m)	Intercept (m) ¹	Cu (%) ²	Au (g/t) ²	Ag (g/t) ²	Zn (%) ²
CH2302 Upper Zone	1,087.4	1,092.1	4.6	0.98	0.77	17.2	1.09
CH2302 Lower Zone	1,119.7	1,124.4	4.8	2.97	2.92	80.3	0.87
CH2406 Upper Zone	1,116.0	1,125.0	9.0	2.88	6.27	88.9	0.40
CH2406 Lower Zone	1,165.4	1,168.4	3.0	1.10	0.75	4.8	0.01

- Geology
- All commodities are different
- Difficult due dil. (resources & reserves)
- Geologists can be very wrong (e.g. shale oil case)

05

LTIF

NATURAL RESOURCES

Current Positioning

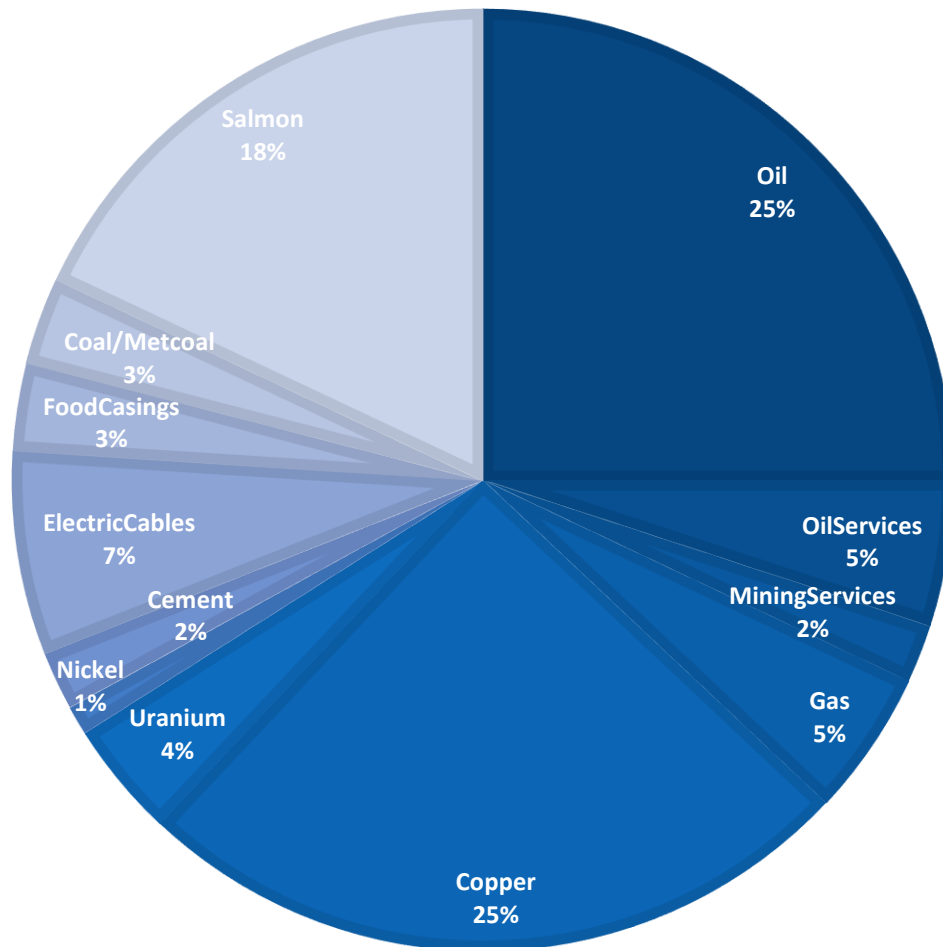
➤ Commodities. Sector Valuation:

MXWO Index	MATERIALS	ENERGY
Price	358,0	260,0
PER 25	15x	10x
Historical Mean PER	20x	16x
P/Book 25	1,9x	1,6x
Historical Mean P/B	2,0x	2,0x

“IS THE CYCLE OVER? IT’S TIME TO SELL?”

- BPS 2026 LTIF NR 119€ per share
- $119€ \times 2 = 238€$ and... $119€ \times 3 = 357€$

➤ Natural Resources LTIF:



- Energy
- Metals
- Infrastructures
- Agrifood

- Oils: 25%
- Copper: 25%
- Salmon: 18%
- Cables: 7%

CORRELATION RISK:
Commodities &
Macro & China

C&D:
Concentration &
diversification

➤ Top 10 Holdings:

Top 10 Holdings	Weight	PER25
Harbour Energy	5,2%	6,2
TGS	5,1%	8,3
Teck Resources	4,9%	(*)
First Quantum	4,9%	(*)
Leroy Seafood	4,9%	9,0
Atalaya Mining	4,0%	5,6
Kazatomprom	3,4%	8,4
EOG Resources	3,3%	10,0
Occidental Petroleum	3,3%	12,0
AkerBP	3,3%	8,7
TOTAL	42%	8,3

- **42% of the fund in 10 names:** oil, salmon and copper exposure
- **PRICE** → EUR 168 ps
- **INTRINSIC VALUE** → EUR 240 ps
- **IRR** → 14%

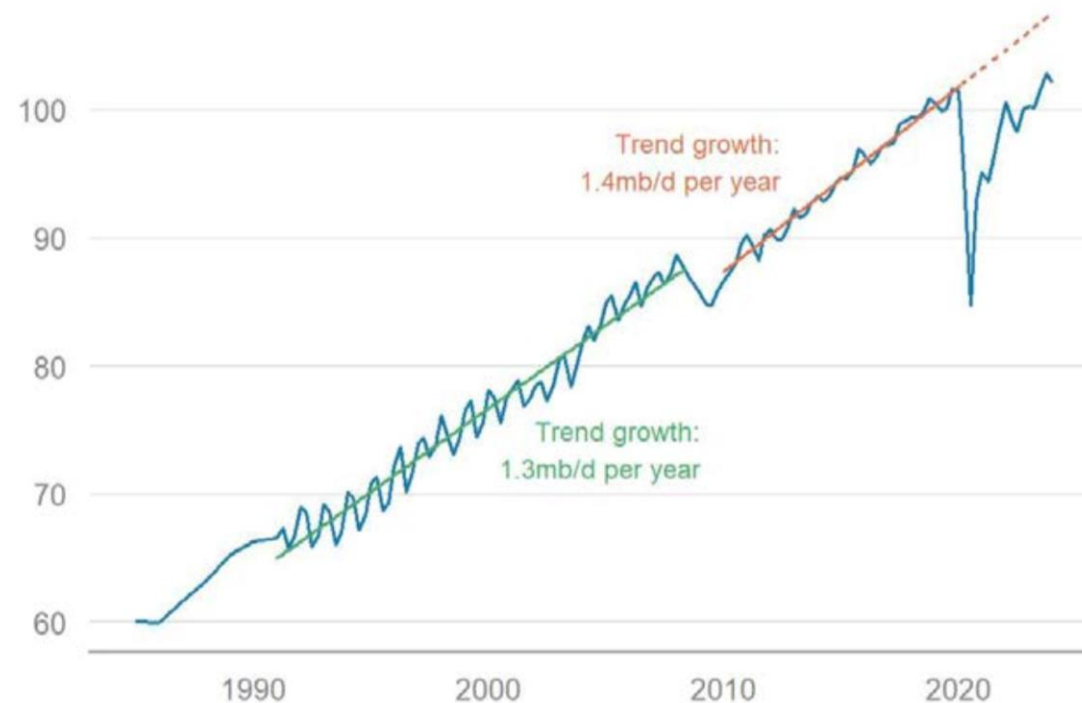
➤ TIER1 ASSETS
 ➤ GOOD MANAGERS
 ➤ GOOD BALANCE SHEETS
 ➤ GOOD PRICE

Source: SIA Funds, Bloomberg (*) large scope changes.

➤ Oil Demand. We don't see a peak...

Global oil demand - long-term trend

(mb/d)



Source: IEA, Morgan Stanley Research

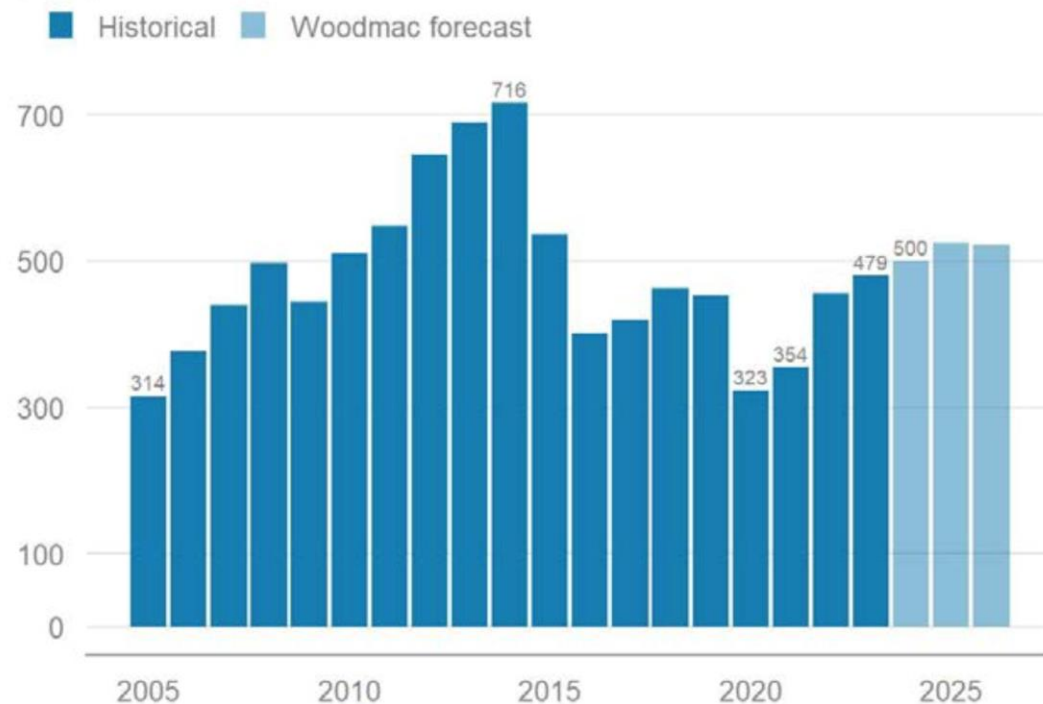
- Enough spare capacity and supply for 2024/26. OPEC+ will manage production to keep prices around \$80-\$90 Brent.
- Demand will continue to grow by 1m b/d in the mid term:
 - Of the 5 parts of the world with around 1.5 billion people, 4 will continue to grow.
 - Of the 4 end-demand sectors, 3 will continue to grow: Jet Fuel, Chems & Diesel.
 - Our EV penetration model: peak demand for gasoline will not occur until 2035.

EXXON: more than 100m/d by 2050

➤ Oil Market. Chronic underinvestment:

Global oil & gas capex

(\$bn)



Source: Wood Mackenzie, Morgan Stanley Research

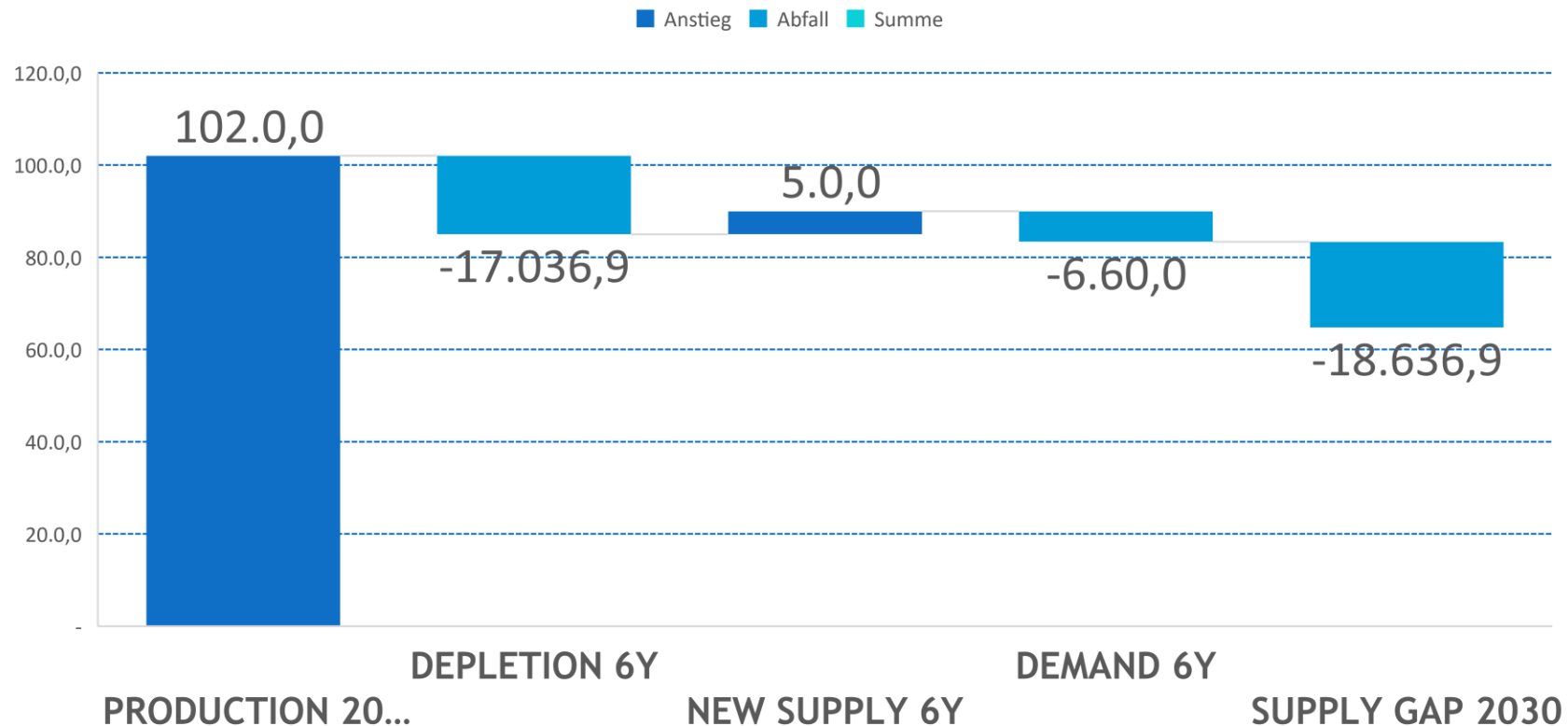
- Lack of upstream capex since 2013.
- Well supplied due to shale oil, which produced nothing in 2013 and accounted for 10% of the supply in 2023.
- After 10 years of growth, shale oil is mature. We need to find a new resource and \$ 300bn.
- We are unable to identify such new oil resource, and little is invested in exploration and development.

Upstream spending 2025-2026E

*Q1? oil prices if US shale oil had not been found?
Q2? What if we do not find another shale oil?
Prices > 150\$bbl on inelasticity*

➤ Oil. Higher prices required:

Oil Supply Estimates 2024-2030



- 3% decline
- 1m b/d demand growth p.a.
- 5m b/d new supply 6Y
- Incentive price: 90\$
- ESG and FoPD as constraints

➤ Statistical view on oil prices:

Distribution of inflation-adjusted oil prices

Based on Brent crude oil since 2007 (in 2024 US\$/bbl)

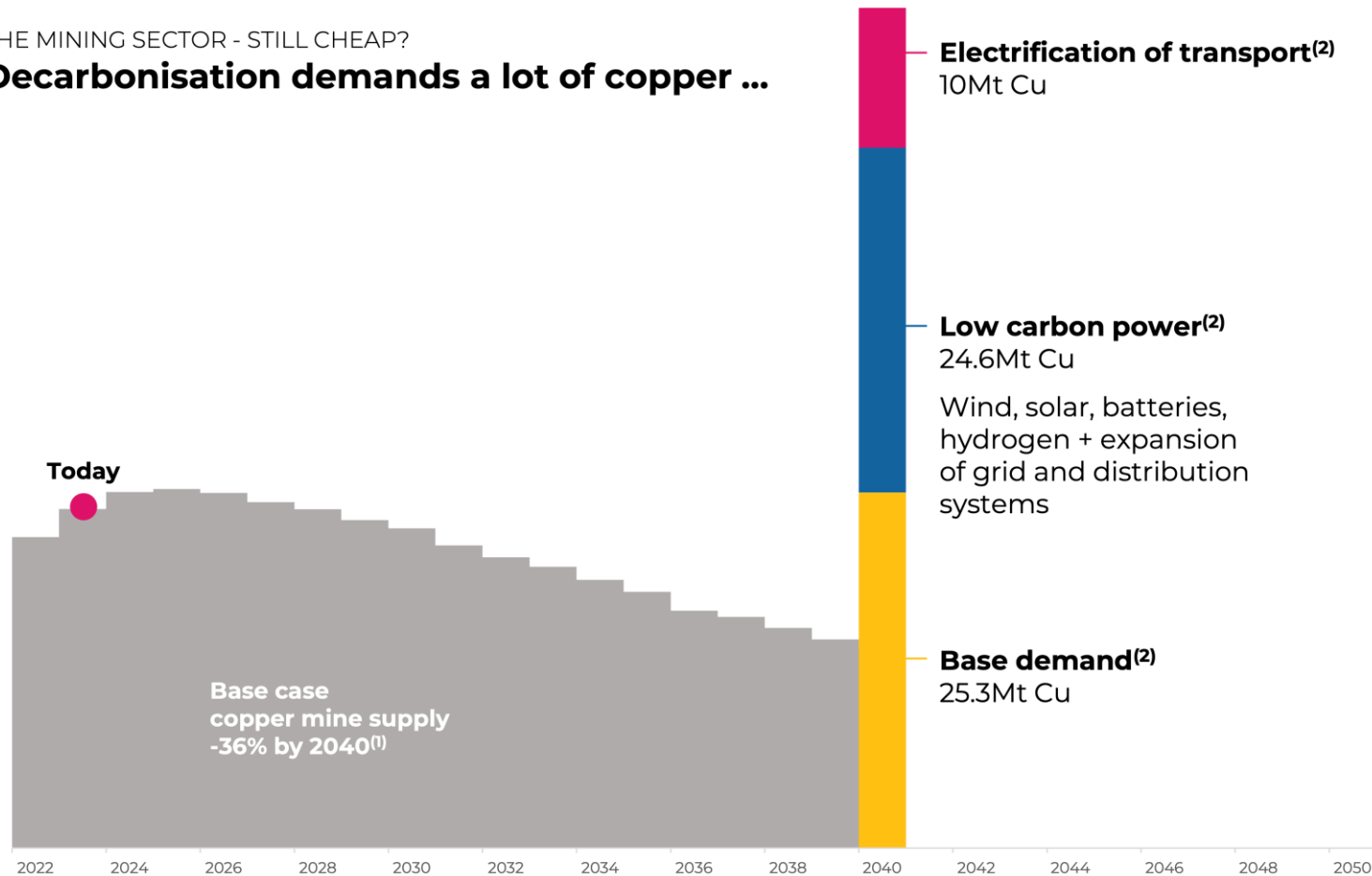


Source: Platts, Bloomberg, Morgan Stanley Research

➤ Copper Demand. Up on electrification:

THE MINING SECTOR - STILL CHEAP?

Decarbonisation demands a lot of copper ...

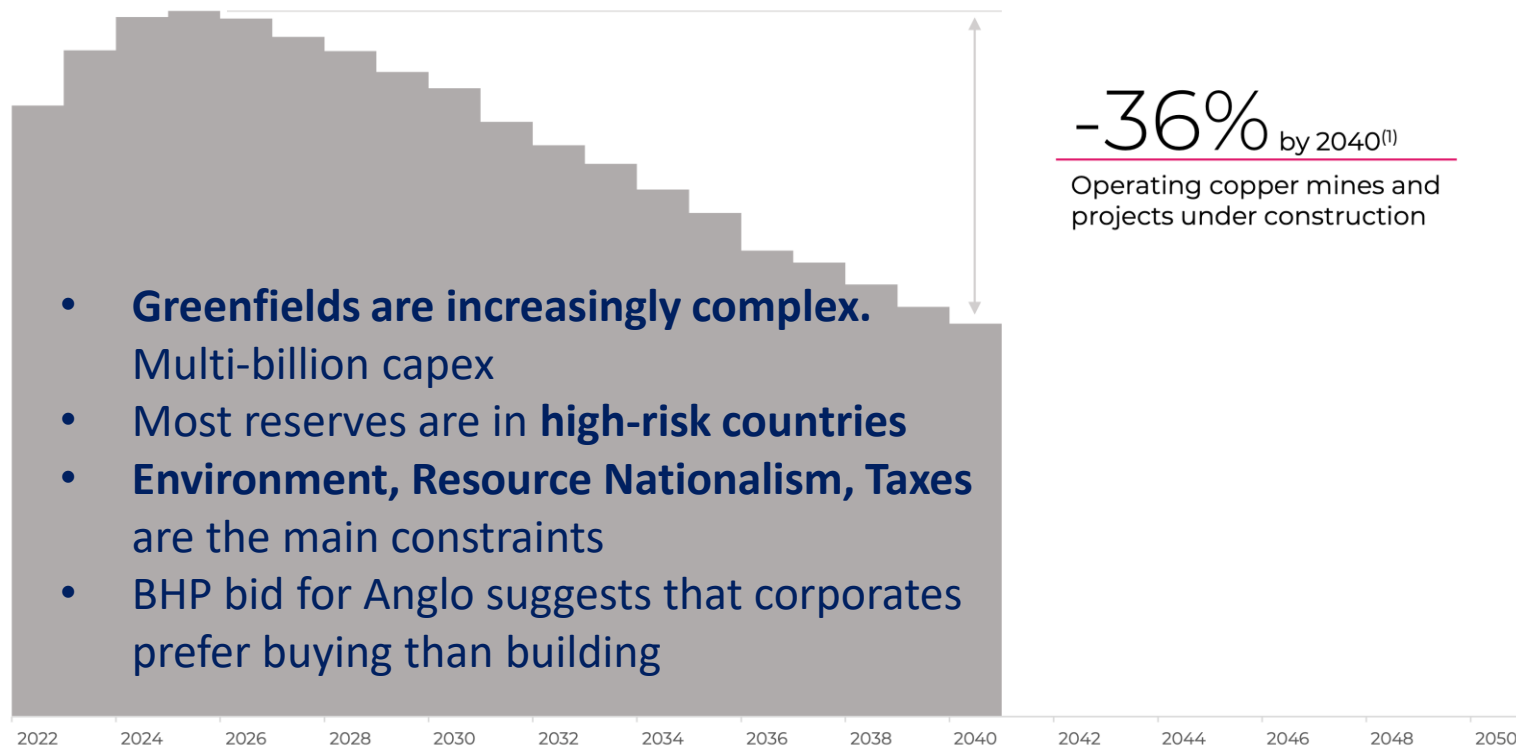


- Mine Supply 2023: 23mn tons. Scrap: 6mn tons. Total 29mn tons.
- 60mn tons needed by 2040.
- Growth from 500,000 tons. per year to 1mn (eq. 3 large new mines).

Notes: (1) Wood Mackenzie, Global Copper Investment Horizon Outlook, Q4 2022, comprises operating mines and projects under construction. (2) Net Zero scenario, bp Energy Outlook: 2023

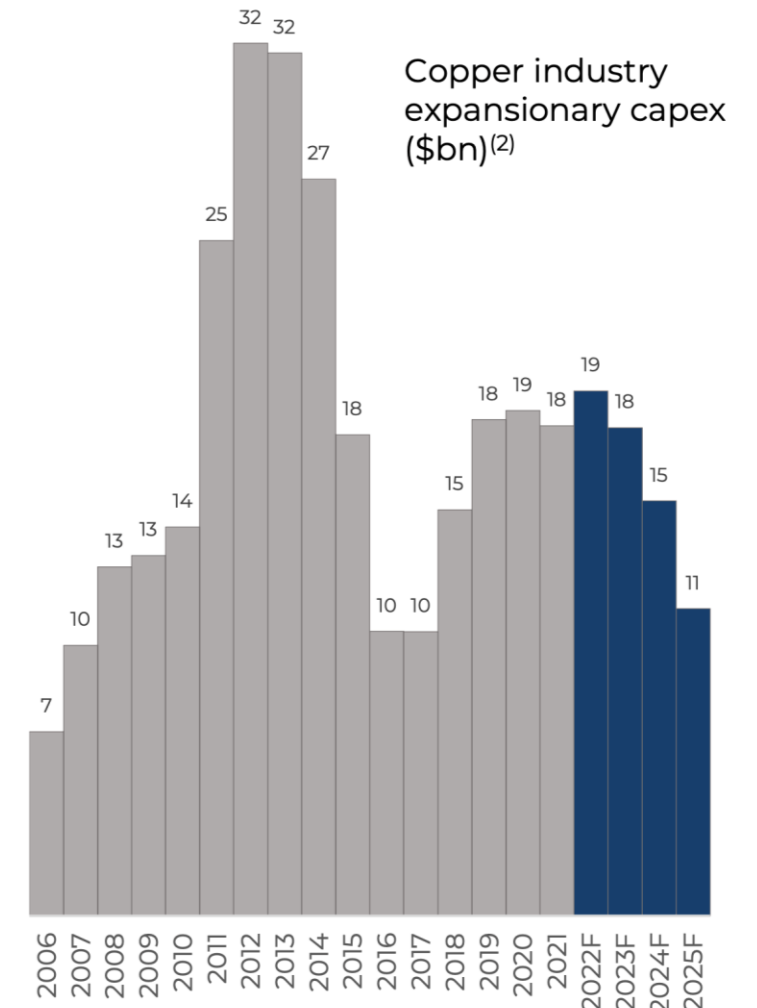
➤ Copper Supply. Constrained:

Copper supply will shrink without investment in new production

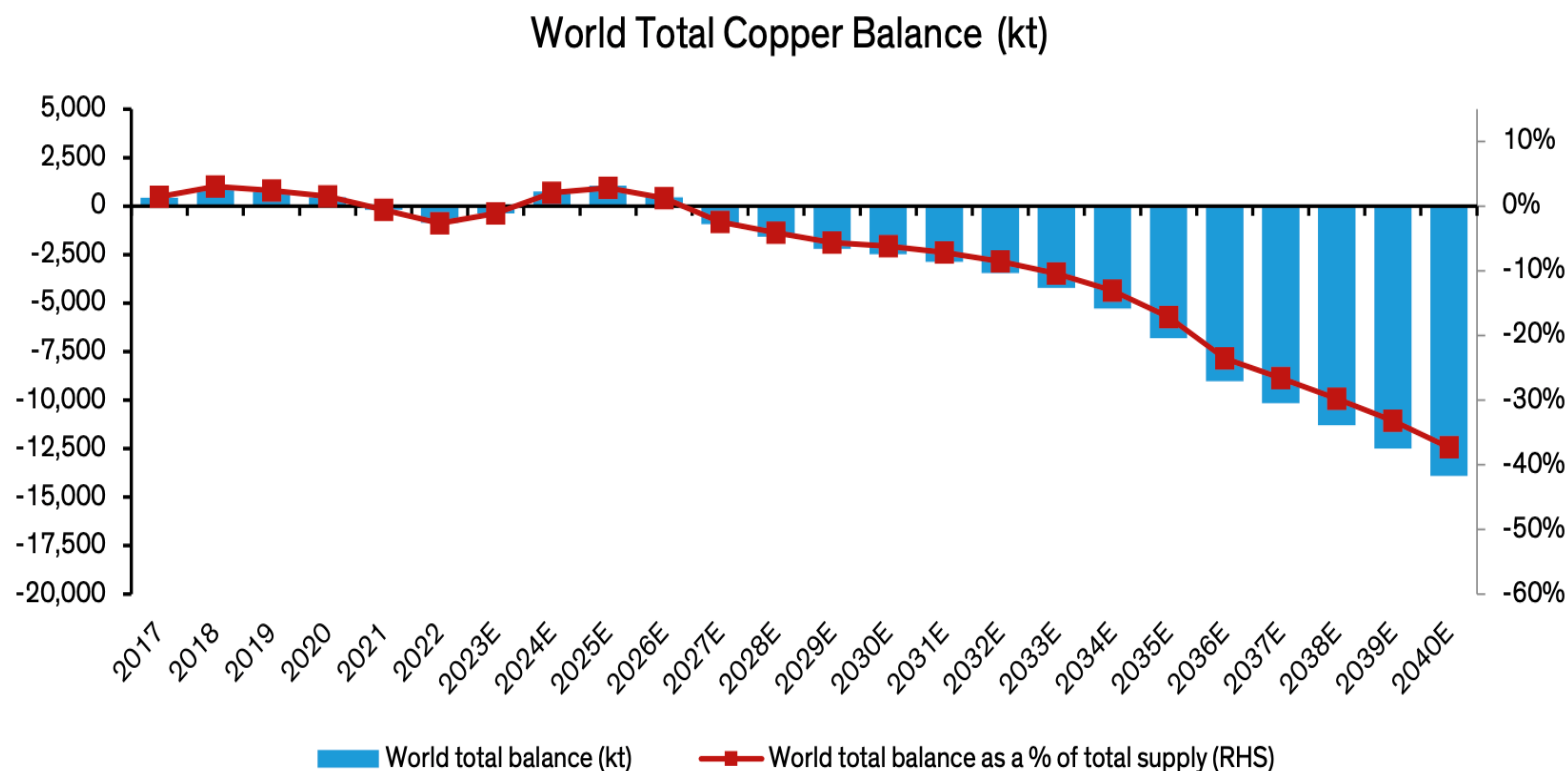


Notes: (1) From 2025 peak, base case represents supply from operating mines and projects under construction. Data: Wood Mackenzie, Global Copper Investment Horizon Outlook, Q4 2022

and the industry remains wary of multi-billion dollar investment decisions

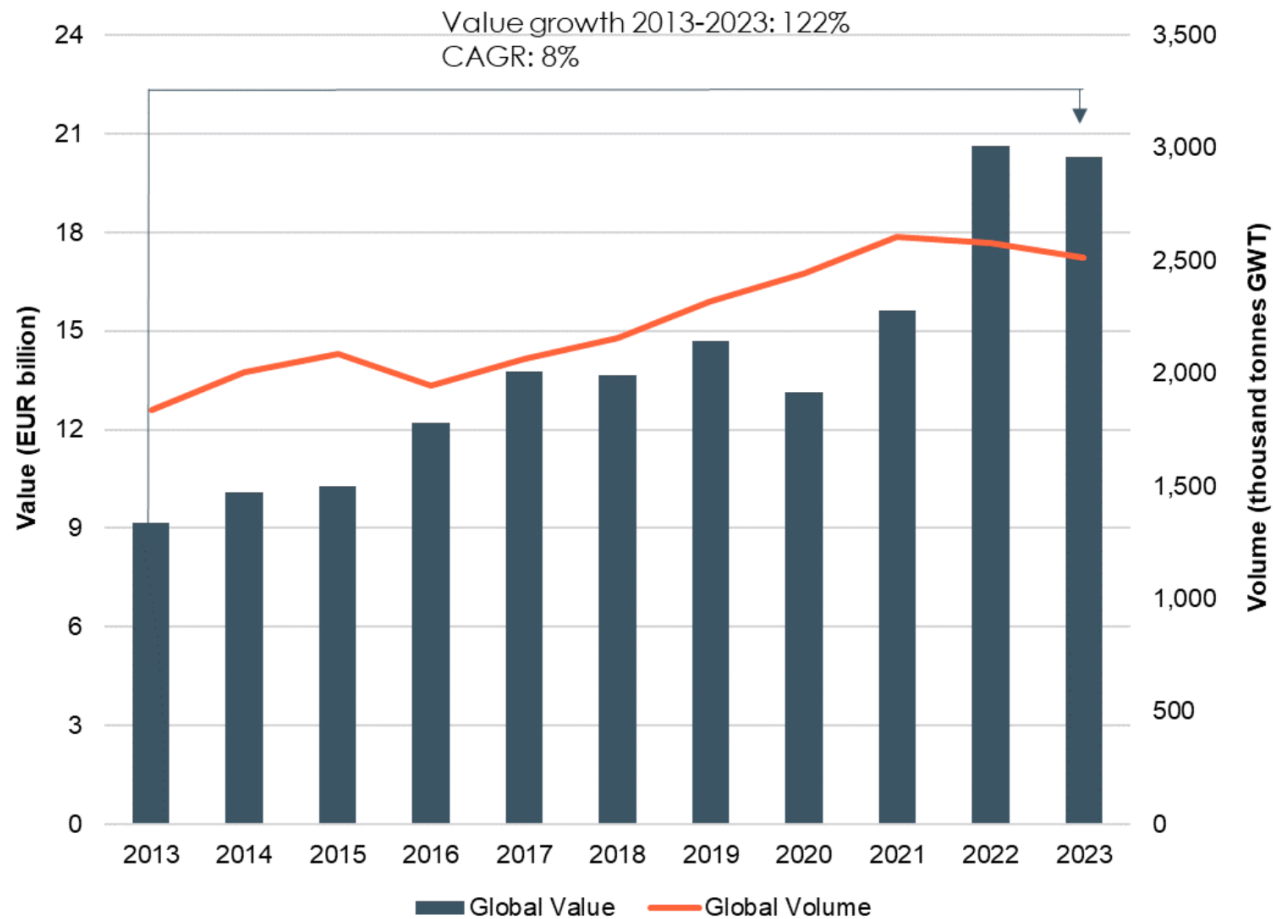


➤ Copper. Deficit by 2026:

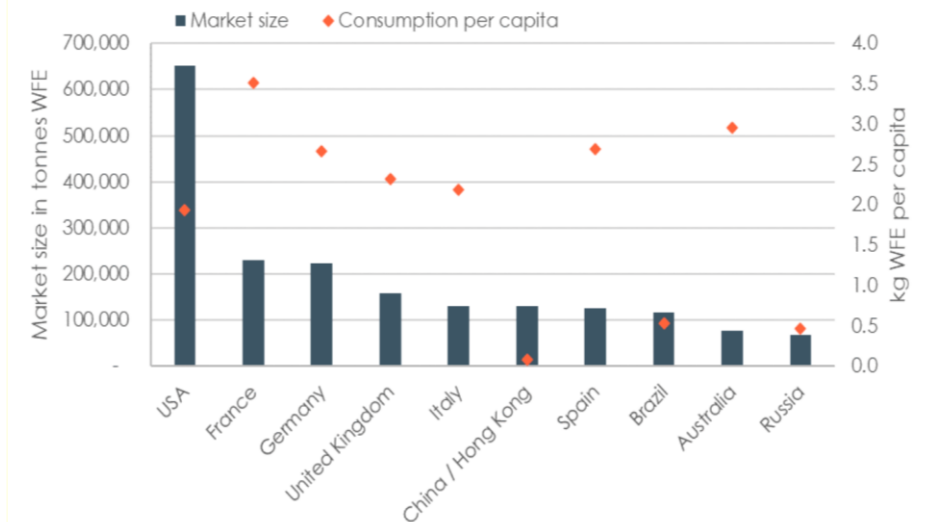


- Enough projects until 2025
- Demand is accelerating
- Prices to move up (7\$/Lb.)
- Some Aluminum substitution

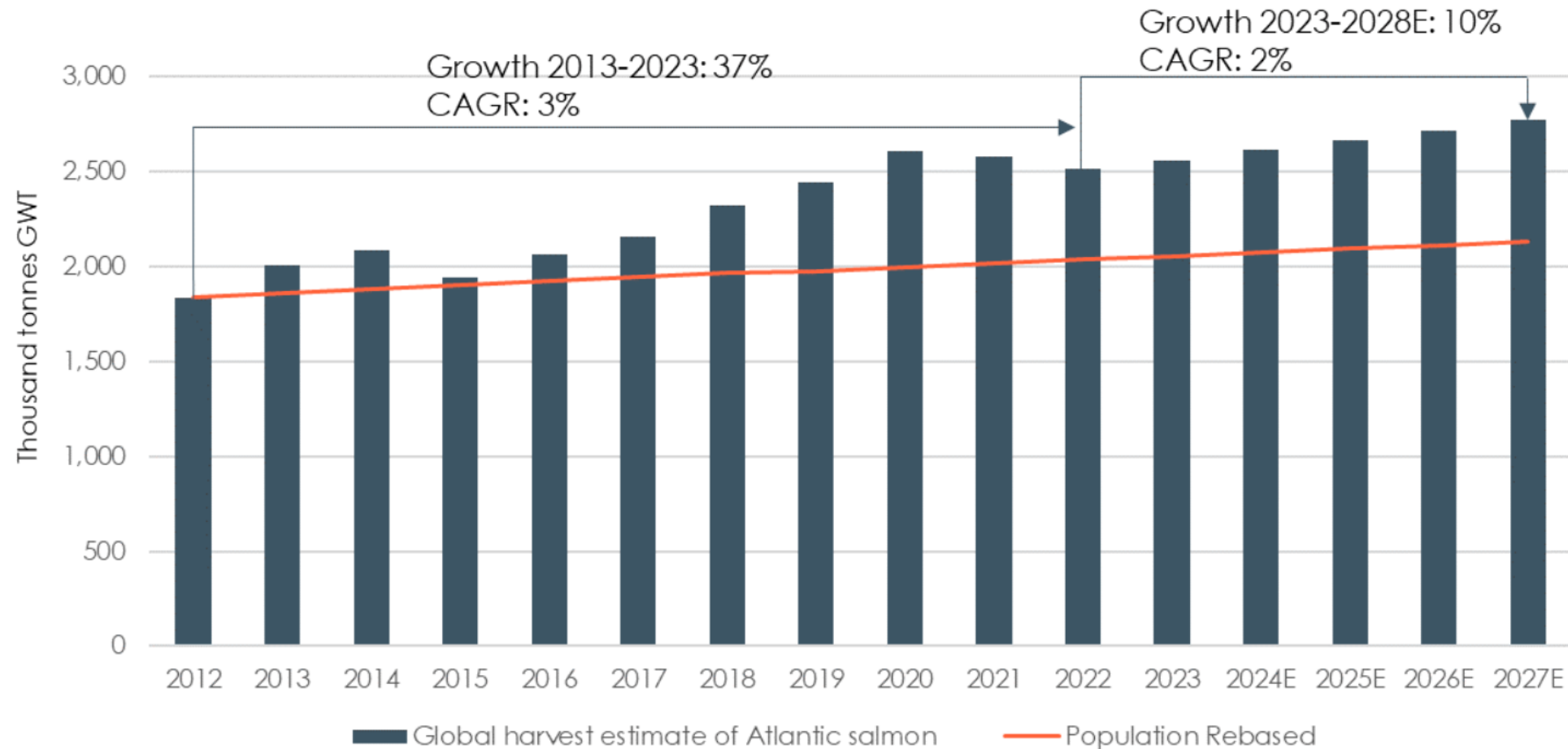
➤ Salmon farming. Strong Demand:



- 20Y demand growth 8% per year at flat prices
- Low consumption per capita in the US, China, EM

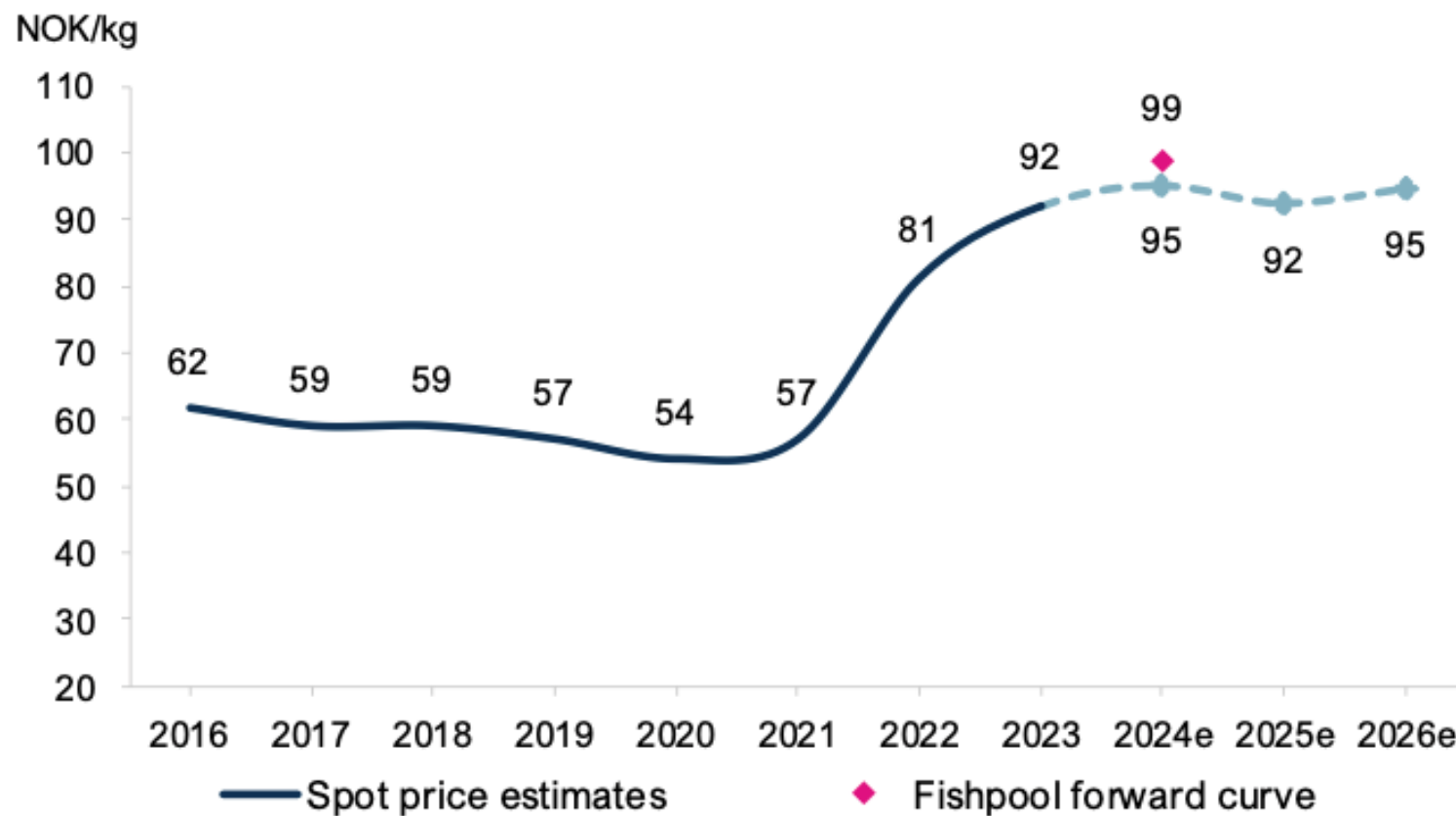


➤ Salmon farming. Limited supply:



➤ Salmon farming. Higher prices:

Pareto Spot price estimates, 2024-26e



- Higher prices expected due to the structural undersupply.
- A luxury product?

➤ Salmon. Cheap Sector 9.7/8.5 x 25/26E:

Valuation of salmon farming companies

	# shares	Price	Mcap	24e NIBD	24e EV	24e Volume	24e EV/kg*	P/E		
								2024e	2025e	2026e
AFISH	32	51	1,626	1,247	2,873	10	286	15.0	6.8	4.5
BAKKA	59	562	33,209	3,440	36,666	91	401	15.8	13.8	13.1
GSF	113	70	7,914	5,686	13,599	78	174	14.2	6.7	5.2
IFISH	122	28	3,423	1,411	4,834	20	236	27.7	7.1	5.5
ISLAX	31	112	3,468	522	3,989	15	266	41.6	8.1	5.0
LSG	596	44	26,345	4,091	30,436	168	181	10.6	7.8	6.6
MOWI	517	185	95,740	13,190	108,930	499	218	11.1	8.8	8.1
SALM	132	585	77,243	7,685	84,928	259	328	15.5	12.0	10.4
SACAM	74	25	1,825	1,269	3,295	55	60	10.8	5.3	4.2
Sector			250,793	38,541	289,552	1,197	242	13.0	9.7	8.5

*NIBD adjusted for dividends

Source: Pareto Securities and Factset

- The sector has disappointed in 2024, due to biological issues: sea lice, ISA, jellyfish.
- Less kilos and higher costs.
- Disappointing earnings in 2024. Shares cheap.

06

SIA PROPOSITION

“Our approach is partnership”

➤ Capital protection: aligned with investors

- Keynes definition of investment: **capital protection + decent return**
- Warren Buffett: **"Rule N° 1: Never lose money. Rule N° 2: Never forget Rule N° 1."**
- **The whole IC (Alex, Carlos, Urs, Marcos) and family/friends are invested in the fund. We are partners here and sense the pressure.**
- Flexible and fast decision-making sold copper stocks in 2022, back slowly in 2023/24.
- **Say NO to unnecessary risks:** country risk, ESG, taxes, regulation, debt M&A, resource nationalism etc... the sector is already risky.

➤ Decent Return. 13% per year past 5Y:

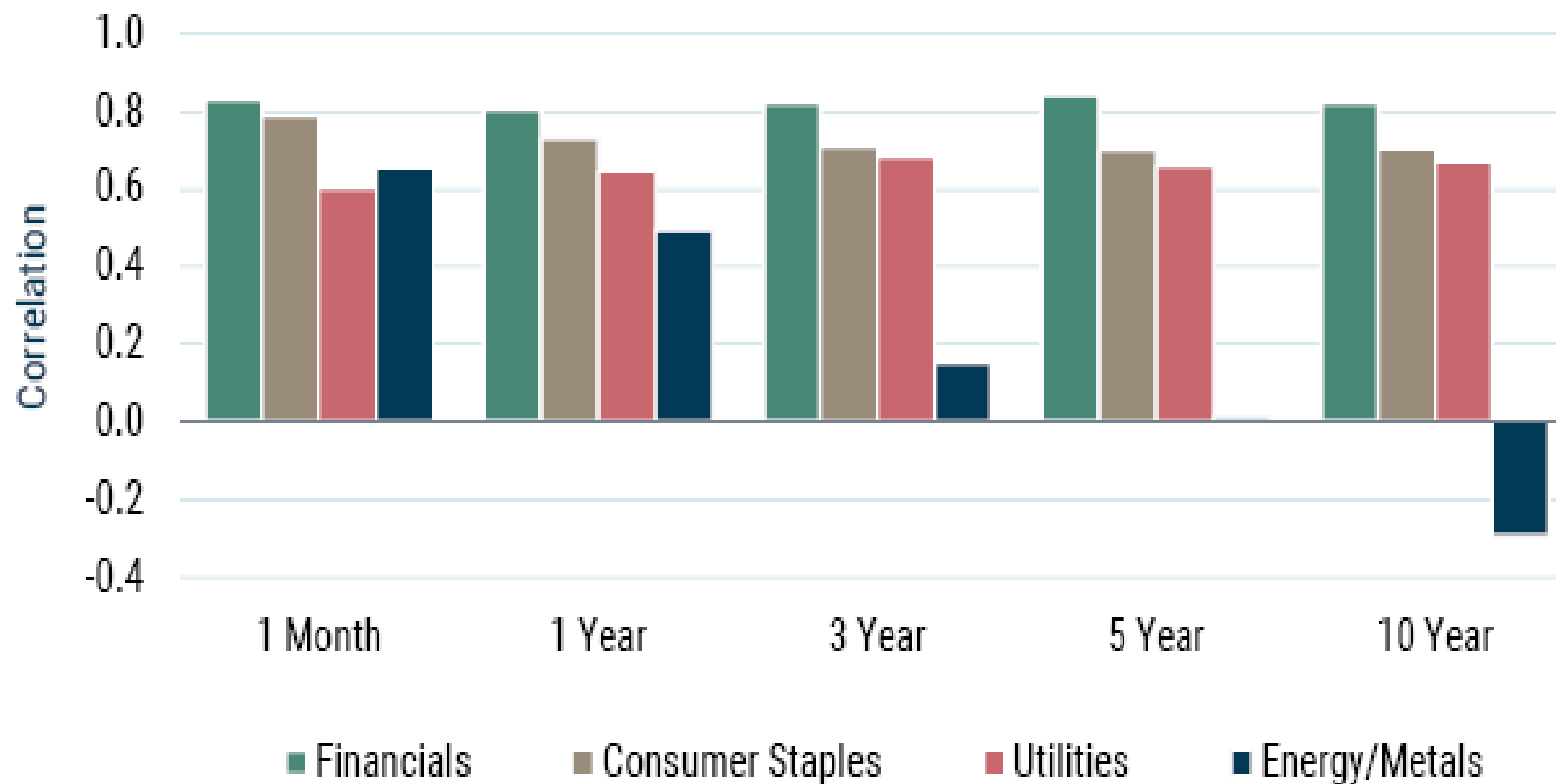


Current IV EUR 240 per share. Expected Return IRR 14%

➤ In a long(er) up-cycle:

- **During 2024 commodity prices have been weak on short term issues:** global economic slowdown, China slow recovery.
- **The long term looks great: we see a long up-cycle, based on:**
 - Oil has a stable/growing demand with falling capex/supply.
 - Green Metals demand will be fueled by electrification. Supply looks constrained.
- **Valuation is below mid-cycle levels.** Usual pattern: higher spot prices, higher future prices, followed by a re-rating and many years of high prices and FCF.
- **This cycle could be much longer than historical due to the energy transition, and the heavy constraints to bring supply.**

➤ Negative Correlation to equities:



“Not only are raw materials finite - believe it or not! - getting scarcer, and therefore certain to rise in price, but at longer horizons (10Y) resources are the only sector to be negatively correlated with the broad stock market.”

➤ SIA Funds. Partnership in Natural Resources:



Investment philosophy.
Strategic Value
Quality



Size. Boutique.
Unconstrained by
institutional



Experience: Team
working together
for >10 years



Risk management.
Capital
preservation



**Decent track
record: 13% p.a.
5Y**



**Long term: we
invest, we do not
speculate**



**Transparent,
Responsible, Honest**

➤ Long Term Investment Fund. SIA structure:

Compartments	LTIF Classic Series			
Investment style	Long-only			
Management fee	1.5% pa			
Performance fee	15% (HWM and Hurdle Rate)			
Currency	EUR	CHF	USD	EUR
ISIN number	LU0244071956	LU0301246772	LU0301247077	LU1449969846
Telekurs valor	2'432'569	3'101'817	3'101'820	33'180'015
Bloomberg ticker	LTIFCLA LX	LTIFCLC LX	LTIFCLU LX	LTIFCLD LX
Distribution	reinvested	reinvested	reinvested	distributed

- **Daily liquidity**, cut-off time previous day at 4:00 pm CET
- **Performance fees are assessed and paid yearly**

Compartments	LTIF Natural Resources		
Investment style			
Management fee	1.5% pa		
Performance fee	15% (HWM)		
Currency	EUR	CHF	USD
ISIN number	LU0244072335	LU0301246939	LU0301247234
Telekurs valor	2'432'575	3'101'836	3'101'839
Bloomberg ticker	LTIFGEV LX	LTIFGEC LX	LTIFGEU LX
Distribution	reinvested	reinvested	reinvested



SIA Funds AG is an authorized Asset Manager of collective investment schemes, regulated by the Swiss Financial Market Supervisory Authority FINMA.



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