S I A
Strategic Investment Advisors Group

Long Term Investment Fund

Newsletter

of March 2025

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

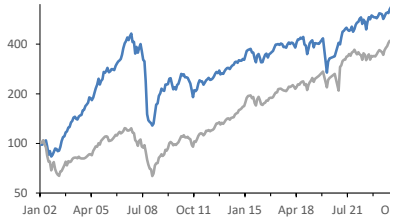

Figure 2: **LTIF Natural Resources EUR**
vs. S&P Global Nat. Res. Net TR Index EUR

"The successful investor is usually an individual who is inherently interested in business problems."

Philip Fisher

Overview of our funds

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

February 28, 2025	NAV	Δ 3m	Δ 12m	Annualized return (s.i.)	AUM *(in mio)*
LTIF Classic [EUR]	727.81	4.4%	17.9%	8.9%	116
LTIF Natural Resources [EUR]	159.76	-5.0%	4.6%	2.4%	83

Source: SIA Group

I. WHERE ARE WE IN THE CYCLE?

Despite the uncertainty generated by the Trump administration, the global economy is starting to improve
We are optimistic about 2025: we understand that interest rates in the world's major economies will continue to fall, fiscal policies will continue to support growth, capex will accelerate, growing employment and wage data will continue to support consumption, and we have clearly entered a business investment cycle, mainly in energy, natural resources, technology, infrastructures, defense, and transportation.

It is, however, true that we are still immersed in the economic slowdown that started in 2022, which should last one or two more quarters, producing weak data regarding both industrial production and consumption. Nonetheless, we are approaching the end of this deceleration. **We are, obviously, aware of the uncertainty that Trump's policies are generating** (we will have to learn how to properly determine the difference between announcements and real policies), which we group simplistically into the following two baskets:

- At the US level, 1) tax reductions for families and businesses; 2) combatting illegal immigration to the US; and 3) reducing the national government's bureaucracy and weight.

- At the international level, 1) ending the wars in Ukraine and Gaza; 2) redefining international economic relations by means of tariffs and bilateral negotiations in order to promote local production; and 3) strengthening the US' geopolitical weight, possibly in relation to China's growing weight.

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Far from pretending to add any value, **our opinion is that Trump is, after all, a businessman, and that all the vertigo-inducing measures that he announced, will end in negotiation, and will not change either the US or the rest of the world's economic course.** Furthermore, as Trump demonstrated in his first term, it is probable that he will be very focused on the country's economic growth and will therefore moderate all policies that could derail this growth.

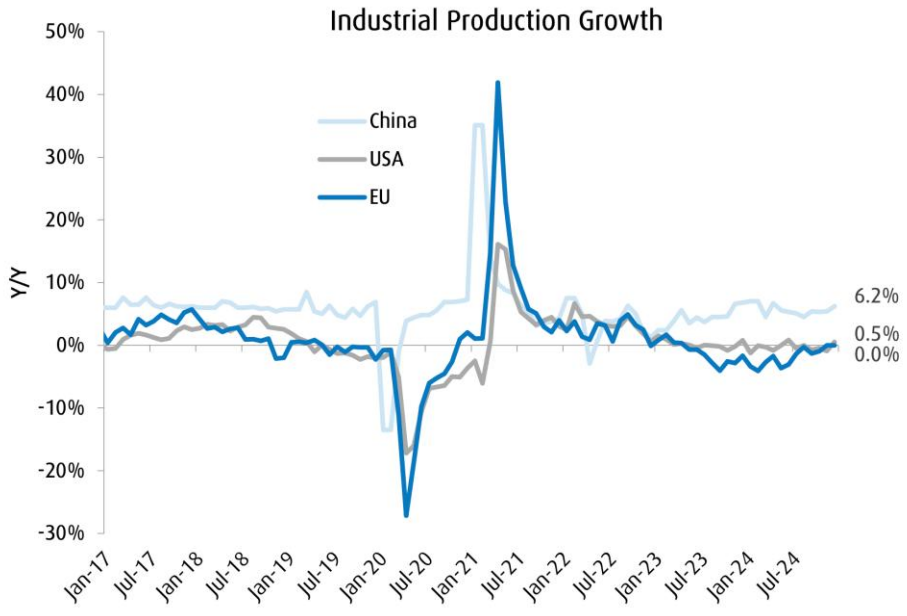
In summary, our base scenario is a gradual acceleration of the global economic cycle, with China gradually improving after three years of a bearish real estate cycle, with Europe accelerating from a very low base, reinforced by Germany with a greater inclination to spend and invest, and with the US spurred by Trump policies that we believe will encourage economic growth.

GDP Growth estimates 2025/26E			
	2024	2025	2026
US	2,8%	2,7%	3,0%
EUROPE	1,0%	1,3%	2,0%
CHINA	4,8%	5,0%	6,0%
	Source: IMF, ECB, SIA Funds		

A new industrial upcycle in sight

At SIA Funds, we monitor the global industrial cycle closely. After three years of adjustment, with an intense destocking cycle, we believe a new bullish cycle will start from mid-2025 onward. Bullish cycles usually last about 8-10 quarters, so matters should improve from mid-2025 to mid or late 2027, if, at least, there are no unexpected elements to distort the cycle's normal course.

It is true that Trump's policies regarding US trade with other countries add a component of uncertainty and volatility, but, as we noted, the base case scenario is that Trump will not derail economic growth.



Source: BMO Capital Markets, Haver, Bloomberg. EU industrial production is a BMOCM estimate.

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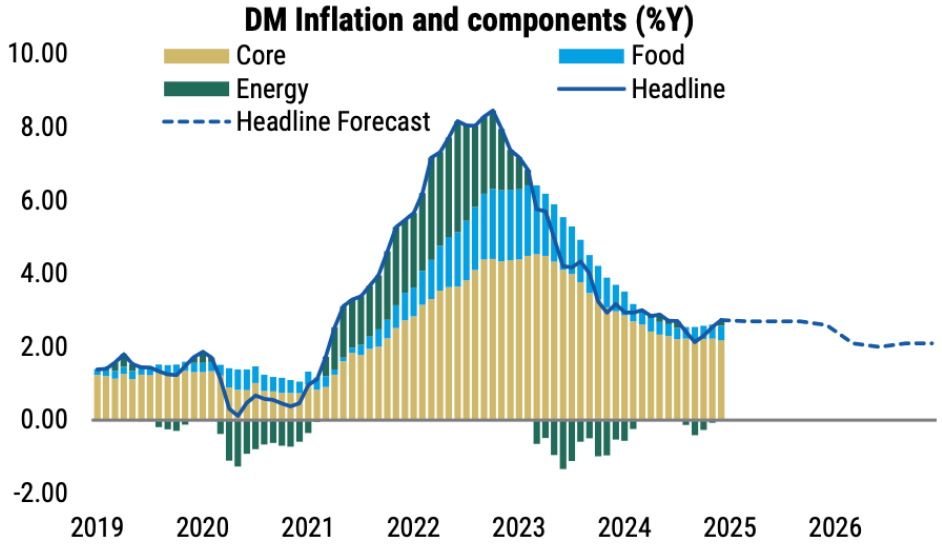
Inflation is back to reasonable levels, but we anticipate upward pressure

In just two years, the world has controlled the inflation that skyrocketed to 8% levels (in developed markets) **in 2022**, fueled by the monetary and fiscal policies that most of the world's major economies implemented to offset COVID-19's impact (the economic stop-go in 2020 and 2021). With inflation levels back at 2.5-3% in developed economies, and 2% in developing markets, we believe it will start to provide surprises on the upside, given that there are many factors where we already see upward pressure: employment, wages, investments, monetary and fiscal policies, China, supply chains' redefinition, natural resources, energy transition, electrification, technology, and Trump, to name but a few.



Source: Haver, Morgan Stanley Research forecasts

China: a tough and long property adjustment

China continues its slow path toward a smooth economic acceleration, which seems to converge with global economic acceleration. On the one hand, it seems that the Chinese government has completed the purge carried out in many economic sectors, and currently seeks to relaunch the private sector (obviously subject to the Communist Party's directives). On the other hand, the Chinese government continues to approve different measures to support the real estate sector's recovery after the tough adjustment over the last three years. Trump's tariffs will affect the Chinese economy negatively in the short term, but we understand that bilateral negotiations will occur within a few months, which will stabilize the two countries' economic flows.

The following graph dissects China's 2024 investments in fixed assets according to various subsectors. It shows that real estate and construction were the sectors which hampered the economy. On average, almost all of the economy's sectors recorded strong growth, in many cases double-digit growth, but the real estate sector's weight, including its effect on wealth and consumption once again penalized the economy heavily. This has now been the case for three consecutive years.

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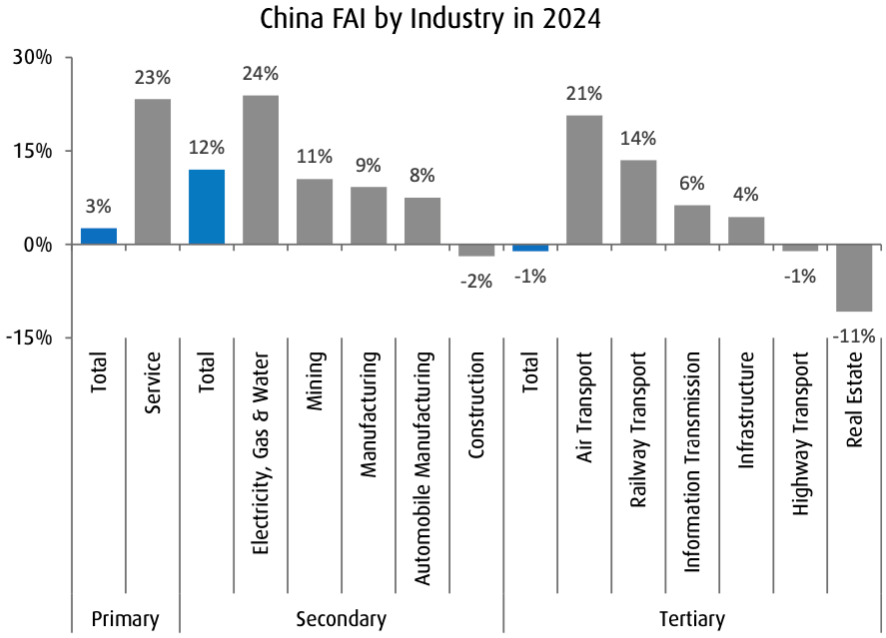

Source: NBS, CEIC, BMO Capital Markets

Historically, Chinese real estate cycles have lasted two to three years; statistically, we should therefore be close to the end of the adjustment, which would align with the government's support measures, which have to date been rather soft and gradual, but will eventually stabilize the cycle.

In our opinion, the new Chinese real estate cycle will be a reality in a couple of years, possibly in convergence with the global recovery, given that the government has a whole range of policies (monetary, fiscal, infrastructure, credit, support for local governments, etc.) at its disposal, which will allow it to already stabilize the cycle in 2025.

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II. IT MIGHT SEEM UNLIKELY, BUT VALUE IS BACK

After more than a decade of value underperforming compared to growth, we are still convinced that the new value cycle actually started in 2020, although COVID-19's effect on the global economy distorted its usual behavior. Two ideas to consider before we delve further into the topic:

1. **By design and track record, value is a winning strategy,** outperforming growth in 83% of the 10-year periods since World War I (see chart below). Why? Easily answered: buying at a discount of the intrinsic value should always add value.

2. **Value has a high correlation with inflation, capex, commodity cycles, and employment, which, according to our estimates, will be central in the coming years** in respect of the energy transition that the world will have to implement. We are slowly approaching very high levels of productive capacity utilization (of oil, energy, semiconductors, aviation, AI-Cloud technology, electrification, food/fertilizers, copper, lithium, uranium, etc.), which, in the energy transition's framework, will require strong investments in both capital and labor.

Furthermore, we understand that a series of **exogenous factors, which have harmed the value strategy over the last 20 years, are starting to mature**. It is far too complicated to anticipate most of these factors' future performance, but we do foresee a change, and, if not that, at least a softening of the trends.

- **An increase in passive asset management**. Passive management has been gaining market share in recent years due to indices' (especially the American indices') strong performance, and active management funds' worst performance (in line with their value), combined with large asset managers concentrating on competing via increased scale and lower fees. **This model only works if the indices continue to reach double digits annually, but that is not possible.** On the one hand, the long-term stock market growth should be 6-7% per year, in line with the economy's nominal growth. On the other hand, in the coming years, the 7 Magnificent Stocks' massive weight (representing 35% of the S&P500's market capitalization), will hamper the indices' performance, and therefore not repeat the past few years' strong outperformance.

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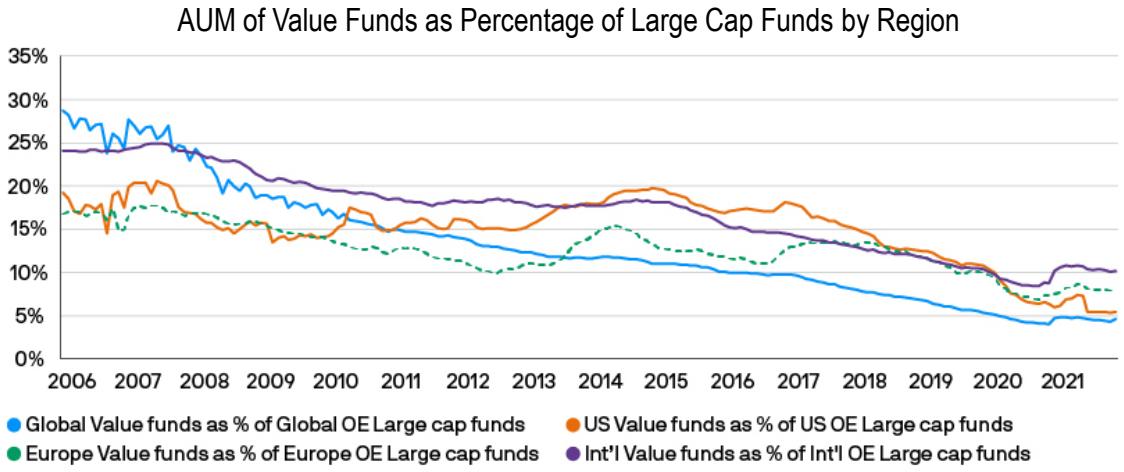
- **Indexing and ETFs**. Indexing and ETFs are passive asset management instruments, which have gained a huge market share in recent years. Ultimately, we are talking about the same thing, and their success has come from the main indices' strong performance, which cannot be repeated in the long term. There will inevitably be a return to the mean, and to active and value management products, even if only as a risk concentration tool (no/less dependence on those 7 Magnificent Stocks).

- **The scale of asset managers and the competition between them in terms of their fees**. We are surprised by large managers' enormous AuMs, and private equity, whose current assets were unimaginable just a few years ago. The size of the AuMs makes active management impossible, forcing managers to move to passive strategies, and to compete via scale and fees.

- **Algorithms and quantitative strategies' impacts**. The media does not comment on this trend very often, but at SIA Funds we have noticed that Algos & Quant strategies have had a huge impact on the stock market for many years. This phenomenon will only increase with AI's increased use, and those investors whose strategy is too quantitative will have a hard time. Overall, concentration will continue, fees will fall, and AI will impose itself on anything that is quantitative by nature.

- **The 7 Magnificent Stocks' weight in the markets**. The 7 Magnificent Stocks (Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, and Tesla) have had a fantastic run during the last decade, but this is not sustainable in the long term, given the size that all of them have reached. Their current valuation multiples price in double-digit growth for ever, with flat/improving margins, which will be difficult to meet due to 1) technological risk (AI?); 2) new entrants; 3) regulation; and 4) size and market share. In summary, they will encounter greater competition and a potential decrease in their marginal profitability: economic theory basics at play.

The following graph shows the value funds' massive fall from 30% in 2006 to 5% of large cap funds in 2023, reflecting all the previous factors. This is simply incredible. Almost out of business.



Source: Morningstar. Data as of 31 December 2021.

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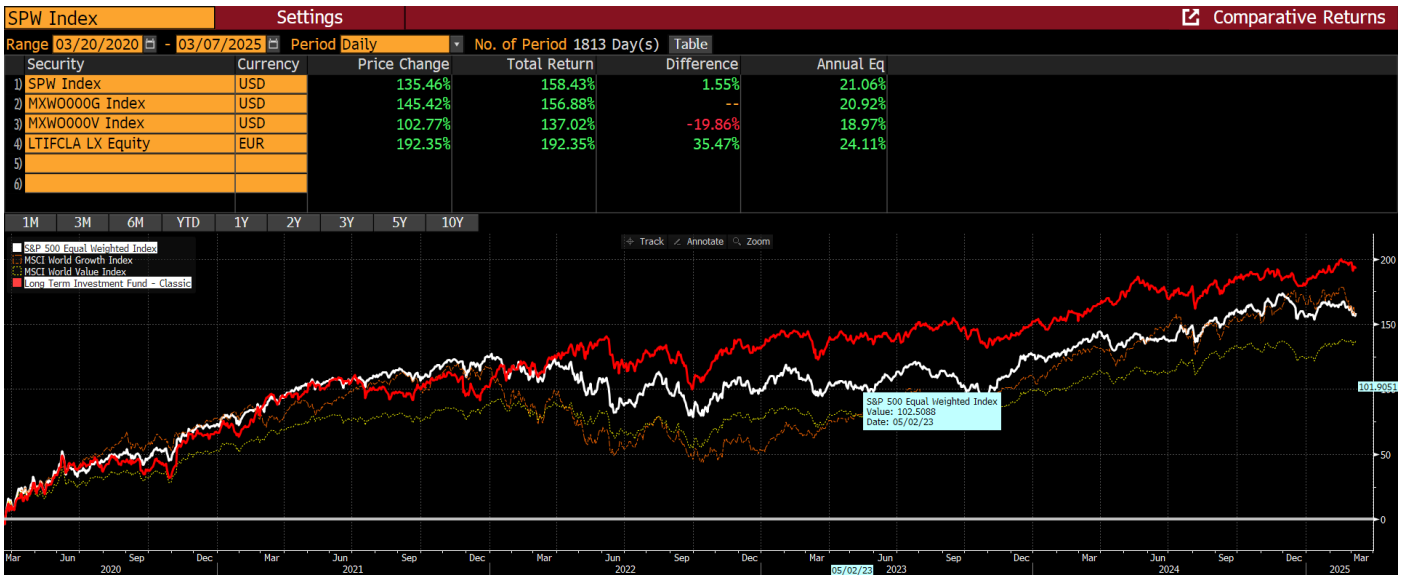
Having said that, our views can be summarized as follows:

- **We have already entered a new phase of economic acceleration, with massive investment needs** in sectors such as technology, defense, transportation, electrification, automation, infrastructures, natural resources, and energy, among others, in a world where most people live in developing countries.
- **We have also started a period of higher inflation, with interest rates higher than those we have had during the last 15 years.** This period will possibly be multi-annual, with the world economy's electrification being a key factor.
- In this context, **commodities should recover the ground they lost during the last 15 years' bearish cycle,** where investments in the sector were below what is required to meet future demand.
- **Since the 7 Magnificent Stocks (35% of the American Index, which in turn comprises 65% of the MSCI World) will be unable to repeat their outperformance** in the coming years, they will become a drag on passive, indices, and growth strategies. Active management should therefore regain some weight against passive.
- In this context, **value should again become the winning strategy it was during the last century,** and our two funds—LTIF Classic and LTIF Natural Resources—are well positioned to benefit.

Let's check these views. We attach a final graph that shows the S&P500 equal-weighted index (to adjust for the strong weight of the 7 Magnificent), Growth, and Value during the last 5 years. We observe that Value (+19% p.a. for 5Y) has started to recover and is close to Growth (slightly better with +21% p.a.). The LTIF Classic has beaten growth and value (+24% p.a. since the COVID low), and, in the long term. Long(er)-term? We believe we can make 10-12% per year (we have done so for 15 years now) compared to a market that, in the long term, should be up by 6-7% annually.

Comparison of the LTIF Classic, of the MSCI Value, the MSCI Growth, and the MSCI equal-weighted



Source: Bloomberg, SIA Funds

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III. DO NOT SOLELY RELY ON INDEX FUNDS! *by Alex Rauchenstein*

Seize the Opportunity for Optimal Diversification Immediately!

When looking at the **U.S. weight in the MSCI World Index**, it currently stands at **around 75%**. Compare this with **1988 when it was just 32%**. However, the **U.S. economy accounts for only about 25% of the global GDP**—roughly a third of its market capitalization. While this significant discrepancy can be partly explained by some major U.S. corporations' global dominance, the gap is still substantial.

However, a **noteworthy development** is now emerging: **Equity strategists at leading U.S. investment banks are beginning to warn against passive investment in the S&P 500.** Their reasoning? The S&P 500's current valuation has reached a level that, from a fundamental perspective, suggests an **average annual return of only around 3% over the next decade**.

Regardless of how one views these strategists, the fact remains that **their assessments influence market sentiment**. Their new recommendation is to **invest in an equal-weighted version of the S&P 500** instead of the market-cap-weighted one. This approach should allow investors to benefit from **mid-sized companies' relative undervaluation**.

To me, this signals that **active fund management has a real opportunity** after years of relative underperformance. This is specifically true given that **there are now fewer active fund managers**, and many **mid-sized European companies receive little to no analyst coverage** due to a lack of research budgets.

One could, of course, argue that **value managers have long been hoping for a revival of their investment style**. But is this recovery actually happening now?

Whatever the case, it is truly remarkable that the renaissance of value stocks (outside the U.S.) actually began five years ago with the 2020 rise in interest rates!

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Risk-adjusted over this period, our LTIF Classic (blue in graph) has performed even better than the Value Index.

	Annualized Total Return	Annualized Standard Deviation
LTIF Classic	**14.3%**	**12.10%**
MSCI EAFE Value	11.4%	11.8%
MSCI EAFE	8.2%	12.9%
MSCI EAFE Growth	5.0%	15.1%

This suggests that **value managers deserve renewed attention,** especially given that long-term studies since **1932 have shown that value has outperformed growth in 83% of all rolling 10-year periods**.

Against this backdrop, finance Professor **George Athanassakos** (of the Ben Graham Chair in Value Investing at the Ivey Business School) poses a very valid question in his latest book, *Value Investing: From Theory to Practice*, namely: **Why is not everyone a Value investor?**

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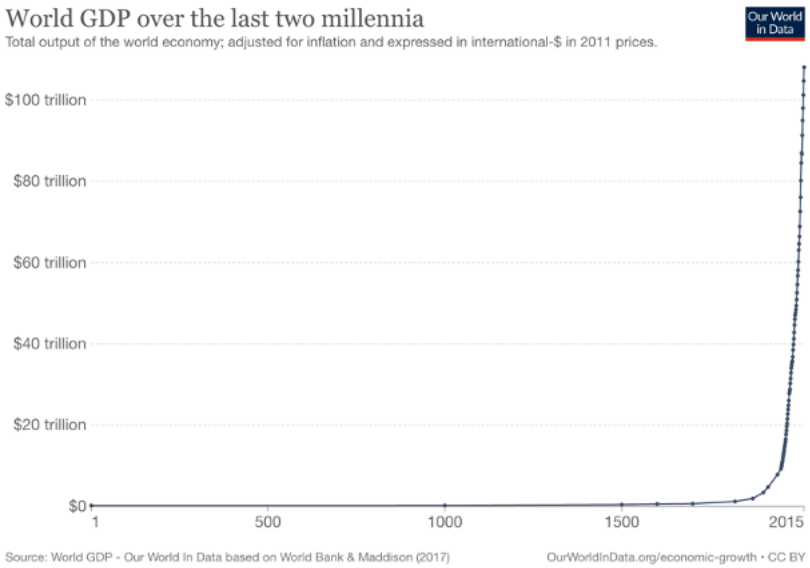
IV: THE FUTURE OF ENERGY: A HISTORICAL PERSPECTIVE *by José Carlos Jarillo*

For approximately ten millennia, humanity progressed from working the land cultivating crops, the foundation of civilization, to a state of relative stagnation. **In 1700, the per capita income remained largely unchanged globally compared to what happened in the previous millennia**. However, as depicted in Figure 1, a **pivotal moment occurred a few years later**.

Figure 1: World GDP over the last millennia



The advent of technology that harnessed non-human energy revolutionized human capabilities. While some rudimentary advancements had previously occurred, such as the utilization of horses and oxen to enhance agricultural productivity, these innovations were limited. A single individual could manage only a few animals, and those very animals consumed a significant portion of the surplus food.

The development of more sophisticated machines, including bows, slingshots, catapults, crude explosive powder, pulleys, windmills, and river mills, emerged during this period. However, these technologies were predominantly employed in warfare, and didn't add much to economic productivity.

In the **1700s**, a groundbreaking discovery was made. **The steam generated by heating water generated sufficient pressure to propel weights far beyond human capability.** This led to the invention of steam engines, initially utilized to extract water from flood-prone coal mines. This technology enabled the extraction of substantially more water (and coal), **laying the groundwork for an energy revolution.**

The steam engine's versatility soon extended to textiles production and rail transportation, catalyzing the **onset of the Industrial Revolution**. The ensuing wealth that this transformative period generated, allowed humanity to dedicate more time to scientific pursuits, leading to the development of novel technologies that harnessed a broader spectrum of energy sources. **The result was a growth in productivity,** as shown in Figure 1.

In essence, **economic growth** can be conceptualized as the **advancement of techniques** that enable humanity to harness energy to power mechanical devices, thereby automating tasks and enhancing productivity.

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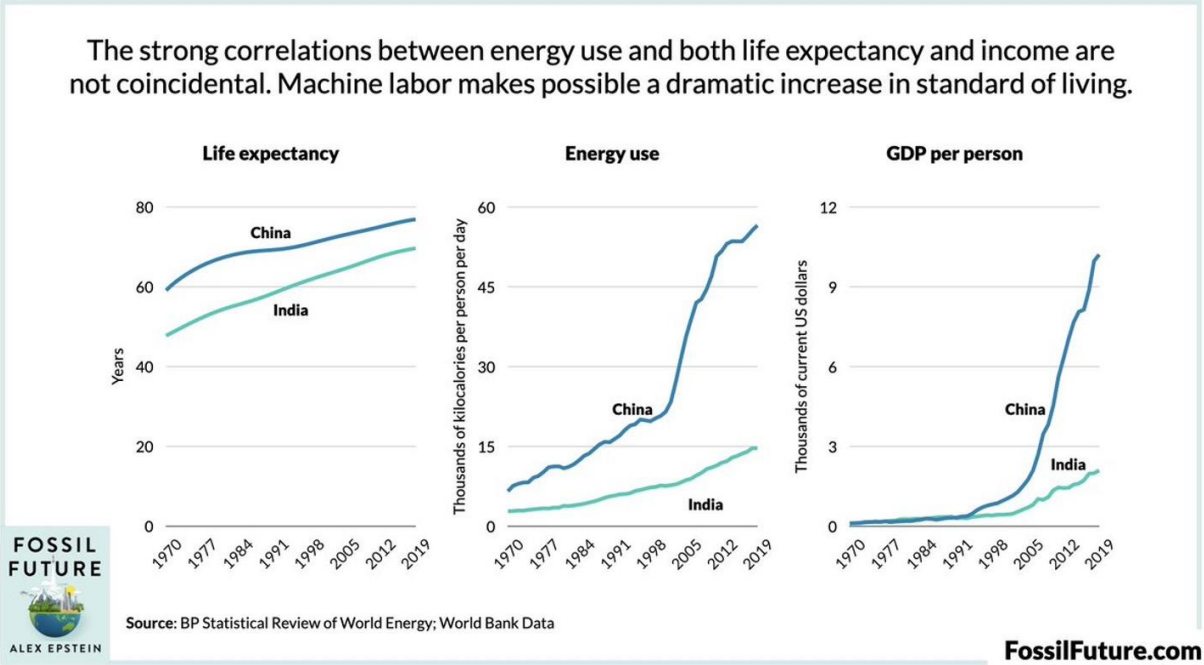
A computer chip, for instance, serves as a technological enabler, facilitating significantly faster calculations compared to manual efforts. **It is important to note that electricity, while not a primary energy source, is a means of utilizing energy from fossil fuels, solar, wind, and other sources, to light our homes and power our electric devices.**

While **GDP** is a relatively abstract concept, its significance lies in its ability to **measure a nation's overall economic well-being.** Ultimately, individuals prioritize living a fulfilling life over accumulating wealth. Recent, as Figure 2 illustrates, **studies have demonstrated the correlation between increased energy consumption and societal progress.**

Figure 2: Energy consumption and life



However, Figure 1 presents a global perspective. In reality, **energy consumption patterns and,** consequently**, economic prosperity vary substantially across different countries.** This disparity provides valuable insights into energy consumption's potential trajectory, and its implications for economic development's future.

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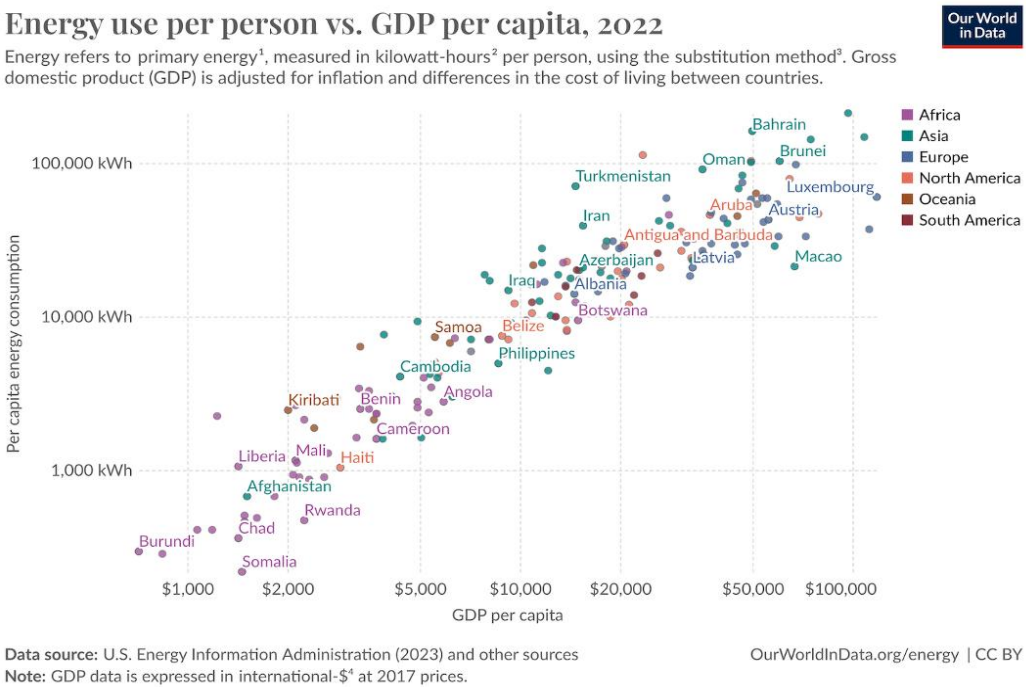
Figure 3: Energy use per person vs. GDP per capital, 2022



It is challenging for Europeans to intuitively comprehend the total magnitude of these disparities. Figure 4 presents an extraordinary chart: **more individuals reside within the yellow circle than outside it**, even though most of the circle comprises ocean and desert. Furthermore, within five decades, one in five human beings will reside in Africa. Consequently, **the "lucky few"** (Europe, North America, developed Asia) **constitute a relatively small percentage compared to the rest of the world.**

Figure 4: Most people live in East Asia

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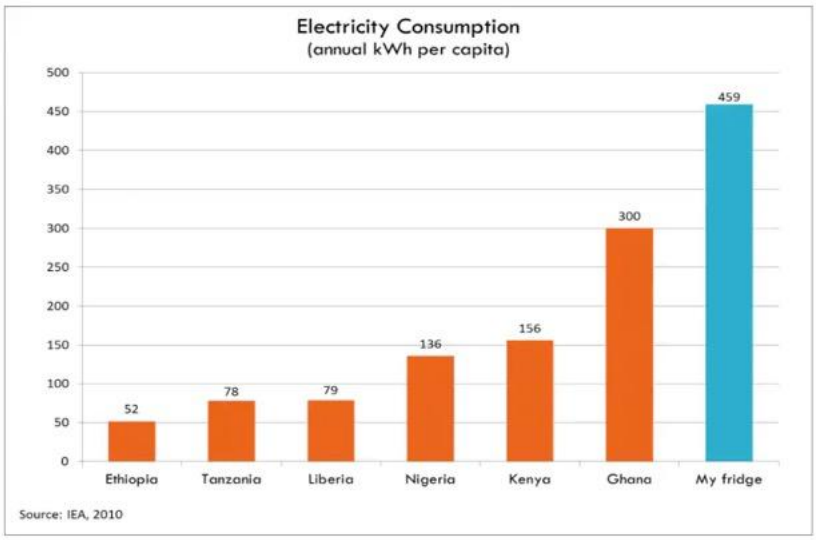
It is difficult to comprehend the disparity in energy consumption. Figure 5 illustrates this disparity in an amusing manner: the total annual energy consumption of most Africans is lower than the energy consumption of a household refrigerator.

Figure 5: Per capita electricity consumption, some African countries



On average, global energy usage per person was approximately 20,000 kilowatt-hours in 2010 (see Figure 6**). If the least developed nations were to adopt just the current average energy consumption level** (which is still significantly lower than that of advanced nations), **global energy usage would increase by 50%.**

Figure 6: Per capita total energy consumption, some countries, and the world average

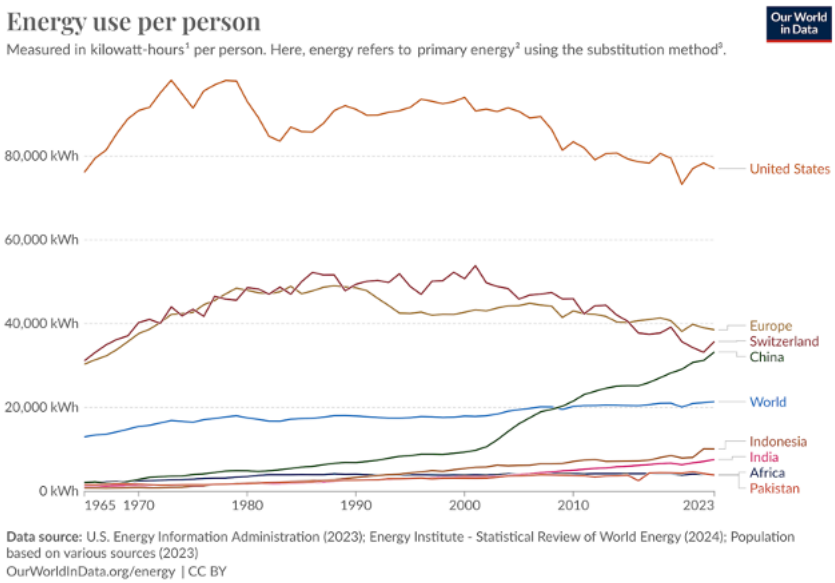


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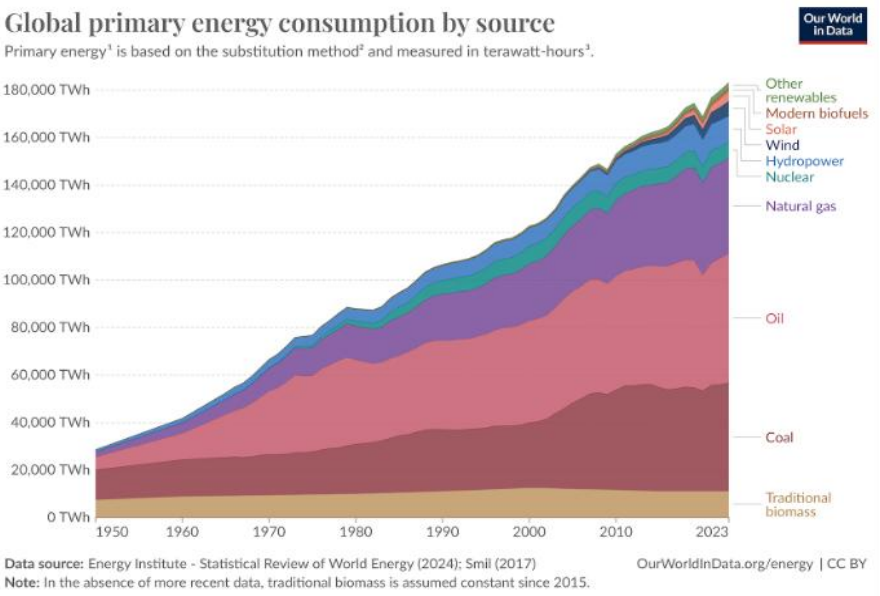
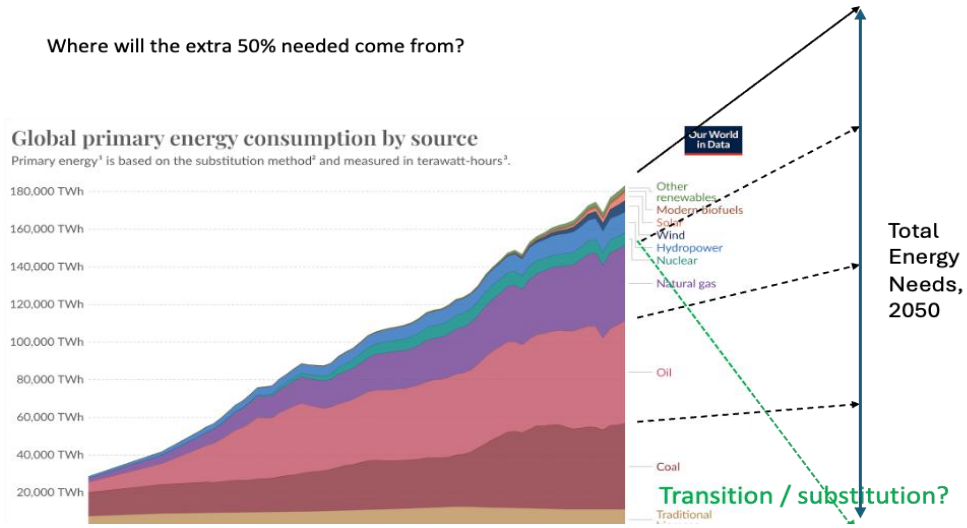
Figure 7, which depicts the world energy production by source since 1950, gives us an idea of where this energy comes from by looking at the past:

Figure 7: Energy consumption by source



It is noteworthy that firewood continues to be utilized (this represents "traditional biomass"), almost as much as ever. Energy sources are not replaced by previous ones: coal does not supplant wood, nor does oil-coal, nor gas-oil, nor nuclear, nor renewables. However, if we redraw the total line to encompass the additional 50% of energy required to alleviate most of humanity from energy poverty and allocate this energy over a 50-year period, we obtain a chart akin to the following:

Figure 8: The future of energy



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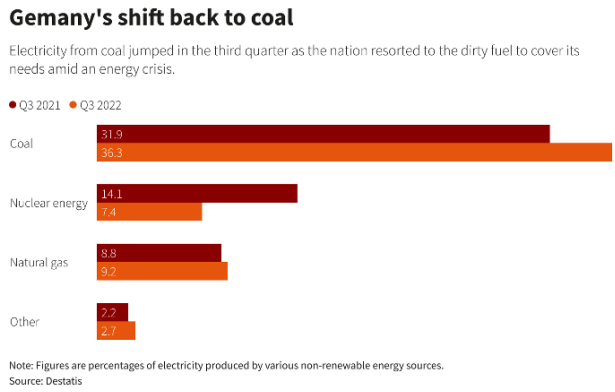
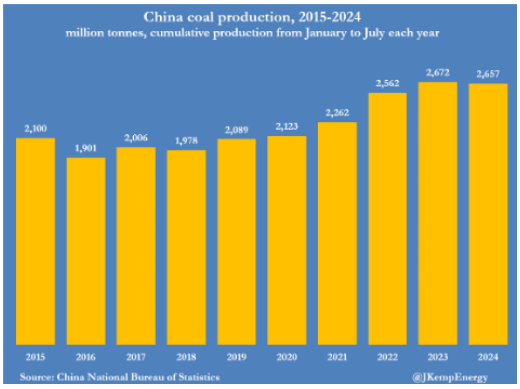
It is evident from the chart that the purported **"energy transition"**, which involves the substitution of wind, solar, and other renewable energy sources for fossil fuels, **is not feasible.** The global energy demand necessitates the continued utilization of *all* currently available energy sources, along with substantial increases. **Most renewable energy sources are nearing their capacity limits.** Hydroelectric power generation is contingent upon the availability of water and suitable terrain, while solar and wind require robust conventional backup systems, therefore significantly elevating the overall energy costs, of which Europe is an example.

Numerous instances have demonstrated that individuals are unwilling to reduce their standard of living drastically (in affluent nations), **or to abandon aspirations for economic advancement** (in developing nations) **in pursuit of "energy transition".** It is noteworthy that one of the world's most environmentally conscious governments (Germany, where the Green Party controls the energy policy) has resorted to reopening coal mines to ensure a stable power supply. Therefore, the primary criteria for evaluating an energy source are its availability, affordability, and potential for geopolitical neutrality. Ultimately, ecological considerations might also be taken into account. This is the actual approach adopted, regardless of the political rhetoric.

Despite its advantages, **coal presents a challenge due to its carbon dioxide emissions.** It is an abundant and readily accessible energy source, with a well-developed technology for its utilization, primarily through steam-based turbines. The most harmful contaminants, such as sulfur, can now be effectively removed from power plant chimneys. Notably, countries facing energy shortages often turn to coal, as exemplified by Germany's commitment to renewable energy and China's dual focus on renewables and nuclear power. **Coal usage continues to rise, although natural gas is gradually replacing it, particularly in the US.**

Figure 9: Coal production is increasing, not decreasing





Oil, on the other hand, presents a more significant obstacle to substitution due to its predominant role in transportation. Energy density is especially crucial in transportation, particularly in respect of aircraft, which have to ascend and descend with their cargo, and their fuel. Kerosene, derived from petroleum, is currently the most energy-dense and best fuel option for aircraft.

Similarly, **electric passenger cars require heavy batteries, leading to less efficient energy consumption**, which challenges their practicality. Given transportation's essential role in commerce and economies of scale, oil usage is expected to persist for an extended period**. Only two countries have made notable progress in electrifying their passenger cars: Norway and China.** Norway utilizes its abundant in the country hydroelectric power, while China opts for domestic coal, a politically more favorable choice compared to imported oil. **Even in these countries, oil consumption remains significant due to its essential role in heavy machinery and chemical production.**

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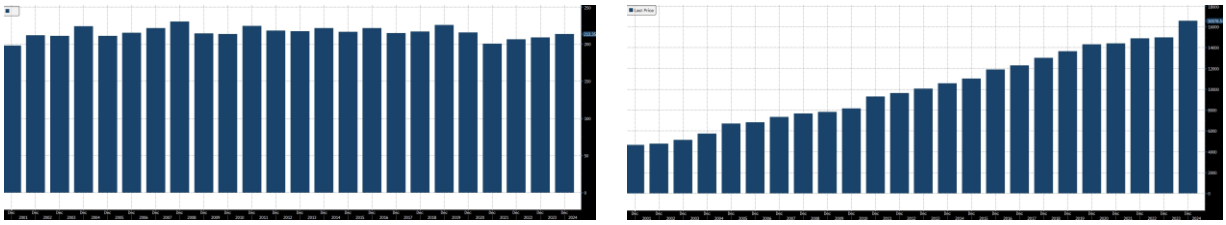
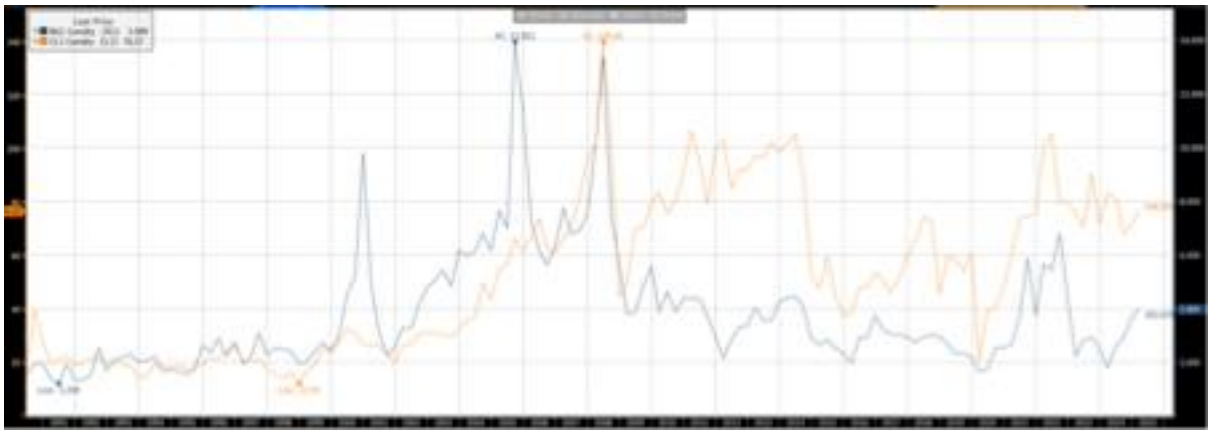
Figure 10: Norway and China Total Oil Consumption



Natural gas is abundant on Earth, but, unlike coal, **most countries lack it and it's expensive to transport and store**, necessitating specialized equipment and pipelines that require time to build. Consequently, natural gas is less utilized than coal, but its lower carbon dioxide emissions make it preferable in regions where it can be obtained at a reasonable cost (primarily the United States and certain European countries with pipeline access). **Unlike many other commodities (oil, coal, minerals etc.), gas transportation challenges hinder the establishment of a global market price.**

Traditionally, natural gas was priced in long-term contracts based on the oil price, which served as a benchmark, because oil and gas had a well-defined energetic equivalence. However, **the abundance of natural gas in the United States** (as a by-product of shale oil production), **is lacking in Europe and Asia, and its transportation difficulties have created a significant pricing disparity**: see Figure 11.

Figure 11: Natural gas vs. oil prices



This disparity presents a substantial arbitrage opportunity: natural gas is significantly cheaper than oil when substituting it. This is a trend that is currently unfolding. Firstly, the American chemical industry transitioned from using naphtha (a petroleum product) to natural gas. Subsequently, numerous countries have been exploring the use of natural gas for transportation. **China has** notably, **made significant progress in this area, with a quarter of new trucks now powered by natural gas rather than diesel.** The **technology is relatively straightforward**, requiring only modifications to certain engine components.

An intriguing development is occurring in the **United States**, where natural gas is abundant, computer-related electricity demand is surging, and the electrical grid is struggling to meet this demand. **Computer-related electricity centers are being constructed in proximity to gas-rich regions, where natural gas can be used to generate electricity via conventional turbines that subsequently feed this electricity directly into the servers.** This trend is likely to expand in the coming years wherever the infrastructure allows it.

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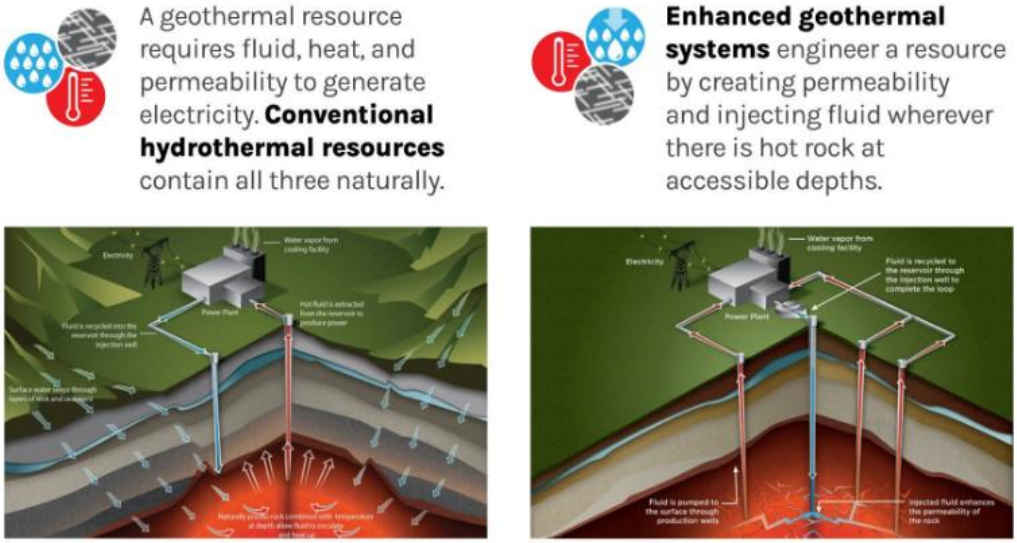
The preceding paragraph also applies to **nuclear energy**, which meets all the criteria: it is **abundant**, **highly reliable** (with nuclear plants' average service time exceeding 95%), and **produces zero emissions**. However**, concerns about radioactive accidents restricted the industry severely in the past**, resulting in numerous regulatory **hurdles that make constructing new nuclear plants a multi-decade endeavor, except in countries where the government not only makes the decision, but also enforces the regulations.**

Dozens of new nuclear plants are therefore being built in China and India, but few elsewhere. It is clear that **nuclear power has a future**, especially with the development of novel technologies, such as Small Modular Reactors and Pebble Bed Reactors, but this process will take time. In the past, utilities that built nuclear plants in developed countries were typically stated-owned or sponsored. In much of the developed world, electricity production has been privatized. **The combination of commercial interests and strong regulatory and political hurdles is not conducive to the fast re-nuclearization of Europe or the US.**

Finally, there is a **potential new source of energy** that could add meaningfully to the mix: **Enhanced Geothermal Systems** (EGS). Traditional geothermal energy depends primarily on relatively superficial areas of hot water, which are utilized to heat entire neighborhoods or villages. However, the limited extent of these hot spots restricts geothermal energy's global practical application in regions facing energy scarcity.

Nevertheless, **deep within the Earth's interior, temperatures are consistently high.** It is estimated that **reaching depths of approximately 12,000 meters would generate sufficient heat to efficiently power steam turbines, making EGS a viable option in any location worldwide.** While reaching such depths presents challenges, including extreme temperatures (several hundred degrees Celsius) and high pressure, the same technologies that catalyzed the "shale oil revolution" are currently involved in EGS research. Several **prototypes are operational**, and **breakthroughs are anticipated within the next few years**. Unlike most novel technologies, **EGS does not necessitate additional adaptations**. Steam turbines could be used to generate electricity, which could be repurposed from existing thermal power plants. Once the technology for drilling to sufficient depths is well developed, wells could be strategically positioned at coal or natural gas-fired plants' current locations, eliminating the need for complex network developments or any other significant modifications.

Figure 12: Conventional and enhanced geothermal systems



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Will this technology materialize? **Progress is swift, but definitive knowledge will only be forthcoming when a demonstration plant becomes operational, which is anticipated to be by the end of 2025.** This technology holds the potential to revolutionize the energy landscape. Although it will not impact oil consumption directly, it could diminish the demand for natural gas and, particularly, nuclear energy. Whatever the case, it is imperative to **monitor this development** closely.

Investment implications

The most important point of all the preceding ones is to remember that the **demand for energy will grow unabated,** and that many forms of energy, not just renewables, will be needed to satisfy this demand. This means that, in spite of much political arguing**, people will continue using fossil fuels for a very long time.**

The first investment consequence is therefore **not to believe that the demand for those fuels is going to plummet.** This makes the **prices at which some fossil fuel producing companies are currently trading very attractive**: they are priced as though they will be running out of demand within a few years, while the reality is that they could continue growing for a long time.

A second point is that, over the last few years, **investment has been specifically directed toward renewable energy**, starving the oil industry of the funds it requires to keep up with the demand. **This lack of investment is going to show within the next few years.**

Natural gas has very bright prospects in terms of demand, but currently there is an **abundance of supply.** Large increases in prices are therefore unlikely. However, the worldwide distribution is still limited, which means that in those places without sufficient storage, and which often suffer very cold snaps (the UK, Germany, certain East Asian countries, etc.), we will see large spikes in the local prices.

New developments (small nuclear reactors, geothermal sources, etc.) are exciting, but, from an investor's point of view, are better left to specialized early cycle funding, such as venture capital.

Most of the new energy demand will be in the form of electricity. Regardless of the source of this electricity, **copper** will be needed to transmit (through cables) and manage it (via transformers, sub-stations, etc.). **Furthermore, investment in copper production has been even lower in the last few years than investment in oil fields.** We might see very high copper prices very soon, which will no doubt encourage the necessary investment.

Finally, if energy is the engine behind economic growth, investors should pay attention to energy's very different costs in different places. In this sense, the US and China have a huge economic advantage over Europe, which reflects how their economies are going to fare in the future, especially the more energy-intensive sectors, such as manufacturing.

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V. LONG TERM INVESTMENT FUND (LTIF) CLASSIC: +12% in 2024 and +4% in 2025 ytd

The LTIF Classic has risen 16% since January 2024 (15 months)

The LTIF Classic fund had a good 2024, increasing by 12%. 2025 also started well, with the Classic rising 4% year to date. Nothing too surprising, as these numbers are fully aligned with the portfolio IRR of 14% (12% net of fees and costs) that we showed at the start of 2024.

As we often repeat, the LTIF Classic's portfolio is structured to comply with our investment philosophy: **protect capital, plus a decent return of 10-12% annually**. We have done this since 2011, which means it has already been 14-15 years since we first implemented our risk-adjusted strategy (RAS) post GFC.

Complete happiness is difficult to attain, as there is always a negative reading, or an underperformance somewhere compared to some competitor or indices. For example, the MSCI World rose 25% in 2024, well above the LTIF Classic, which rose by 12%. How is that possible if Europe rose 6%, emerging markets 4%, and the American equal-weighted index 11%? Well, it's simple, the *Magnificent 7* rode again.

What Alphabet, Amazon, Nvidia, Tesla etc. do or don't do doesn't affect us at all, since we are not invested in them (we were in Apple for a decade from 2010 to 2019 and achieved great returns). We have obviously looked at their businesses, and believe we understand them reasonably well, but decided not to invest.

On the other hand, our strategy is not to depend on anything or anyone, and not to have dominant exposure to any single driver, so **not having exposure to the *Magnificent 7* (35% of the S&P500 Index) is currently a relief,** since this eliminates the concentration risk or exposure to a "*single theme or narrative*", which is a major part of all passive investments.

At SIA, we seek to double the invested capital in the fund every 6-7 years, which we have achieved over the last 15. Frankly, we don't care if Nvidia goes to a PER 150x or has a streak of worse results, and the stock plummets. It doesn't influence us at all.

The updated IRR of the Classic is 16% with an Intrinsic Value (IV) of €1275 per share.

Despite the fund's rise in 2024 and in the first months of 2025, after updating all the models, **the updated IRR is up to 16% (before fees and expenses), so the net IRR should be around 14%+, well above the average annual return of 10.5% that we have achieved since 2011**. Obviously, the updated IV has also moved up after the update to almost €1300 per share vs. the last price of €715 per share. **Thus, on our updated numbers/DCFs, the fund is clearly cheap, and we should benefit from this in the coming years.**

And why is the fund so cheap? The main reason is easy to understand: Grifols, ISS, Pluxee, and Reckitt Beckinser (30% of the fund), and Energy and Salmon (25% of the fund) had a bad 2024 and are starting 2025 off badly. **This means that around 55% of the LTIF Classic is trading at very depressed level** (we have been increasing their weighting in the past few months, as we always buy on weakness) confirming what our IRR/IV estimates suggest.

Thus, **we believe that the LTIF Classic is set to beat our target of 10-12% per year in the next few years**. This will obviously depend on not making any structural mistakes in our heavier weightings. In keeping with the way Warren Buffett works, we are *striking the ball really hard here.*

We decided to present the expected LTIF Classic trajectory in the attached graphs' base case scenario (10% per year, net), and in the theoretical case where we would achieve the 14% net return per year that our updated models indicate.

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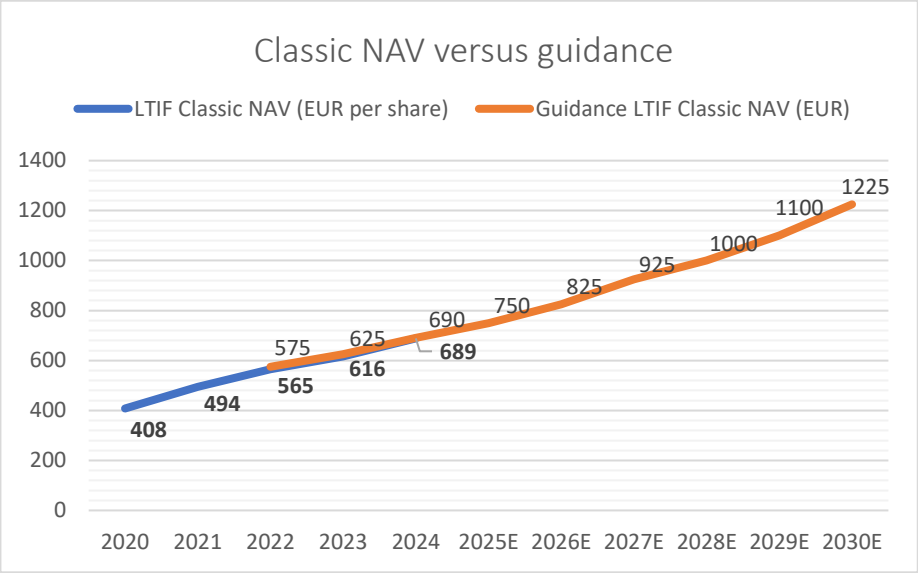
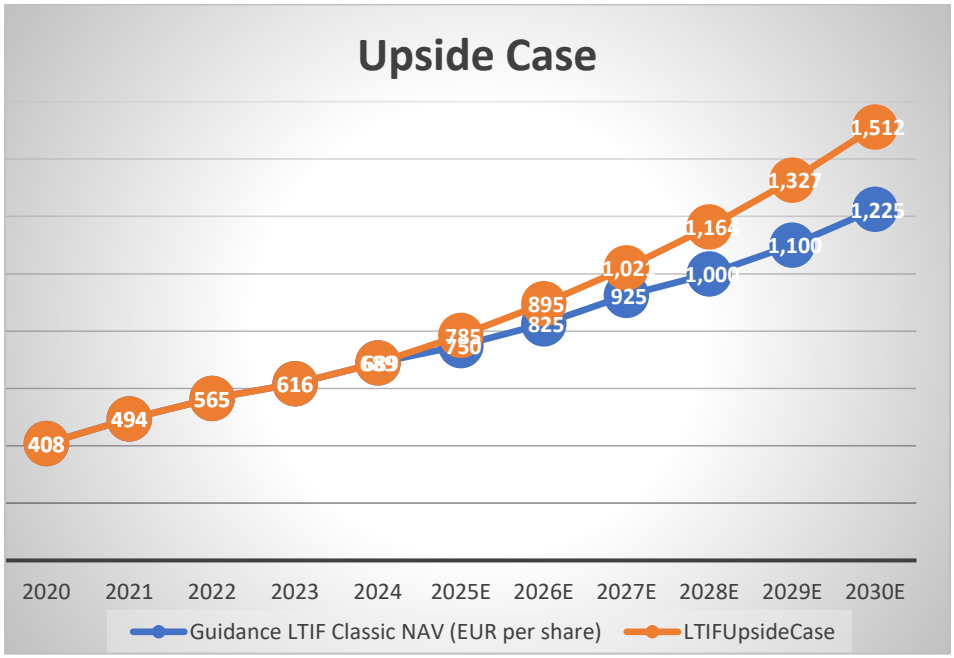


Below we see our prospects when using our updated DCF models, which should already lead us to more than double by 2030. We will see.



45% of the LTIF Classic in 10 stocks, as usual. Concentration & diversification (C&D)

Two of the most important LTIF Classic positions appear to be awakening in 2025, and we are not referring to stock prices, but to their real performance. Both ISS and Grifols released their 2024 numbers, and updated their mid-term outlook: they are so good that we were almost shocked. Phillip Fisher famously said, ***"the successful investor is usually an individual who is inherently interested in business problems"*** **and our interest in both Grifols and ISS fully comply with idea.** We strongly believe that they will also be successful investments in the mid-term.

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On February 20**, ISS stated in its 2024 results presentation that the company had completed its restructuring and was moving to an organic growth and a bolt-on acquisitions phase**. Main ideas:

- The results and cash flow of 2024, and the 2025 outlook, were solid and better than expected.
- The management announced a share buyback worth DKK 2.5bn (10% of the company), which can be increased to DKK 3.1bn. This is likely to be repeated in the coming years.
- Jens Bjørn Andersen (former CEO of DSV from 2008 until his resignation in February 2024) joined the ISS Board in January 2025 as vice president of its Board of Directors. A great hire.
- The management confirmed that the restructuring was over (after 5 years), and that the company is now moving to shareholder remuneration and growth mode.
- The company trades at PER 10x 2025, 9x 2026, and 8x 2027, and, in our view, it should trade around 15x. Our intrinsic value is DKK275 per share compared to a spot price of DKK160.

On February 27, **Grifols held a Capital Markets Day in London, which we attended** with renewed enthusiasm. Our conclusions, in summary:

- The company's "*professionalization*" process has been completed, with the Grifols family no longer in management positions (the family owns 35% of the company and thus has an equivalent weight in the Board of Directors)
- The company's guidance is for 7% organic growth in the coming 5 years with an EBITDA margin approaching 30% in 2029. Euro 10bn sales and Euro 2.9bn EBITDA by 2029.
- Focus on free cash flow with a projected generation of Euro 3,5bn+ until 2029, Euro 700mn+ per year, on average.
- Leverage continues to improve and stood at 4.6x in Dec-2024. 4x should be within reach in 2025, and the company targets of 3-3.5x by 2006/27, back to investment grade.
- Easy valuation: should we apply Grifols' historical median EV/EBITDA to the 2029 guidance: 2.9bn x 16.3 = 47.3bn minus debt of 9bn = 37.3bn euros compared to a current mkt. cap. of 8bn. 4.5x more? Crazy? We said the same of Pandora back in 2019. Feel free to check.

These are the Classic's main investments:

LTIF Classic Top10 Holdings (Nov2024)

ISS A/S	9%
Grifols SA	8%
Reckitt Beckinser Plc.	5%
Pluxee	4%
Medtronic Plc.	4%
Leroy Seafood ASA	4%
Mowi ASA	3%
ASML NV	3%
First Quantum Ltd.	3%
EOG Inc.	3%
TOTAL	**45%**

Let us highlight **the appearance of a new gem in the portfolio: Pluxee,** a French company providing food solutions and other benefits for employees, whose shares we received during the spin-off from Sodexo, and increased throughout 2024. More details will be given in the quarterly investment case.

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VI: QUARTERLY INVESTMENT CASE: PLUXEE

Pluxee, formerly known as Sodexo Benefits & Rewards Services, is a French company specializing in providing benefits and rewards solutions for employees, including food, wellness, mobility, culture, and gift services. In 2024, the company spun off from Sodexo and began trading on Euronext Paris under the symbol PLX.

We are mainly attracted to Pluxee's business due to its growth potential, margin strength and returns, reduced investment relative to its growth, and a market that is digitizing, which we think will be very positive.

In summary our views:

1. **Solid organic growth:** we believe Pluxee has long-term organic growth potential above 6% (price, contract expansion, new clients, and digitization). The company aims to achieve double-digit growth in the 2024-26E period.
2. **Margin expansion:** improvement in the operating margins in the coming years, with an EBITDA margin of 37% in 2026E
3. **Strong cash conversion:** Pluxee expects a recurring cash conversion above 75% on average during the 2024-2026 period. **We love being shareholders of a company that can grow close to double digits annually without needing to invest significant amounts**.
4. **Geographic diversification**: Pluxee's operations are well diversified, with Europe and Latin America representing 45% and 38% of its total operating income, respectively. It is true that the company has a strong exposure to France and Brazil, and should make an effort to grow in other regions.
5. **Bolt-on acquisitions:** Pluxee's acquisition strategy is very disciplined, as shown by the recent purchase of the Spanish company Cobee, which we think is a good addition to Pluxee.
6. **Innovation and sustainability**: Pluxee allocates 10% of its revenue to technological development, focusing on positioning itself as a digital brand. Additionally, it is ahead of the curve on sustainable initiatives, such as issuing cards made entirely from recycled plastic.

In short, we understand that Pluxee is well positioned to capitalize on growth opportunities in the employee benefits and rewards sector, backed by a solid financial and operational strategy at a very attractive price.

It obviously meets our 4G targets: **good business, good management, good balance sheet, at a good price**. See the numbers below and enjoy the ride.

Pluxee. Consensus Estimates 2025-2027 (August Year End)

	2025E	2026E	2027E
PER	14,3	12,5	**11,3**
FCF (EUR mn)	325	370	400
FCF Yield	9,7%	11,0%	**11,9%**

Source: Bloomberg, SIA estimates

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VII. LONG TERM INVESTMENT FUND (LTIF) NATURAL RESOURCES: -3% ytd

The LTIF Natural Resources had a good 2024, +8%, to €162 p.s. 2025 started with doubts

The LTIF Natural Resources had another good year in 2024, up +8% vs. a -3% drop in the natural resources index.

In 2025 we started with doubts and the fund is down -3% year-to-date. No reason to be disappointed, or confused, since price corrections are excellent opportunities to invest cheaply in a tremendously positive medium and in a long-term scenario for the commodities space.

IRR of 16%. Intrinsic Value of €250 per share

The fund's updated IRR has risen to 16%, with an intrinsic value of €250 per share (always using mid-cycle valuations), and a theoretical upside of over 50% in the next 2-3 years.

We maintain that this fund's potential is much higher than its Intrinsic Value, given that commodity cycles, once consolidated, carry very high valuations that reflect the difficulty of bringing new supply to the market, and most commodities' demand inelasticity. We expect this cycle to materialize within the next 2-3 years, once the scarcity of many natural resources needed for the energy transition becomes more evident.

Our main sectoral positions are three**: oil and gas companies (33% of the fund), copper mines (20%), and salmon farms (17%), which make up almost 70% of the fund.** The main positions are as follows:

Top 10 Holdings	Weight	PER26
First Quantum (**)	5%	7,1
Leroy Seafood	5%	9,3
TGS	5%	6,2
Teck Resources (*)	5%	20,0
Atalaya Mining	4%	6,3
EOG Resources	4%	10,1
Harbour Energy	4%	6,8
Occidental Petroleum	4%	10,6
Kazatomprom	4%	5,9
Mowi	3%	9,9
Total	**41%**	**9,2**

(*) Sold Met Coal Assets to Glencore
(**) Assumes CobrePanamá restarts 2026

It is easy to see the depressed valuation of natural resource stocks in this table, with an **average PER 2026 of 9x,** with estimates using depressed commodity prices, well below the levels we will see in the next few years.

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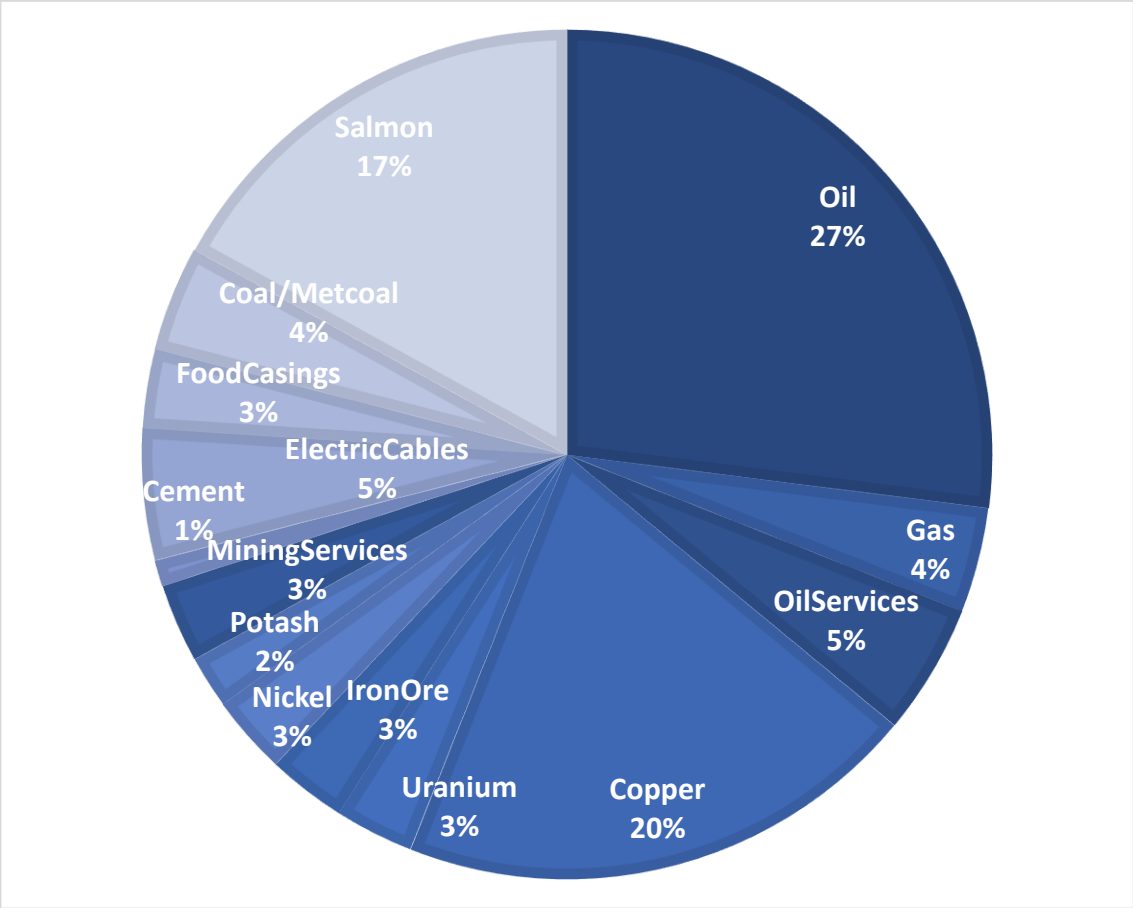
LTIF Natural Resources Breakdown. March 2025



Source: SIA Funds

We went to Norway again… to check the salmons

In March 2025, we returned to Bergen (Norway) to the aquaculture and salmon conference that NASF organized. There, we had the opportunity to continue learning about the industry, talking with all the management teams of the companies in which we are invested.

We share the main ideas:

- **In Norway, the biological situation of salmon is excellent,** which means higher production is expected, with prices higher than the spot ones (superior share).
- **We do not expect very high prices in the short term (spot at 80-85NOK per kg, about EUR 7 per kilo, and prices of superior qualities at 95 NOK per kg.)** due to the biomass's good biological situation in both Norway and Chile, which is rising 8-10% year-on-year.
- **Companies expect lower costs due to the good biological situation, lower raw material prices (feed), and the entire industry's efficiency effort.** Consequently, we expect improvements in the margins and the cash flows in 2025.
- **Consolidation** will continue, with large companies buying smaller farms when the opportunity arises.
- **The global supply growth is estimated at 4% in 2025, much lower than the structural demand that historically rises 8% at flat prices,** confirming that our main investment thesis remains intact: a

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limited supply growth of 3-4% per year, which will not meet the real demand (emerging countries still do not eat salmon), with prices being the main adjustment factor.

- **There will be general elections in Norway in September,** and the conservative party could replace the current government. The conservatives already announced a lower resource tax (imposed on the sector in 2022). This could very good news.

In this rather positive sector environment, stocks continue to trade at attractive multiples, around 8-10x 2026, which, in our opinion, are an excellent investment opportunity in a sector which should be able to make an average RoIC of 14%+ in normal conditions. Not bad at all.

Salmon farmers. March 2025

	PER26	Normalized ROIC
Bakkafrost	10,8	15%
Grieg Seafood	7,1	12%
Leroy Seafood	7,3	13%
Mowi	8,2	15%
Salmar	9,5	17%
Average	**8,6**	**14,4%**

Source: Bloomberg and SIA Funds

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VIII. NATURAL RESOURCES THOUGHTS *by Urs Marti*

"Fiat currency always returns to its intrinsic value — zero."
This is a famous quote by the French philosopher **Voltaire**. In his youth, he experienced the **Mississippi Bubble**, a financial scheme that triggered a speculative frenzy, and ended in **financial collapse.** (Ultimately this lead to the developments that resulted in the **Revolution**.) The scheme was engineered by **John Law**, a Scottish adventurer, economic theorist, and financial wizard, who was a friend of the regent, the Duke d'Orléans. In 1716, John Law established the Banque Générale, a bank with the authority to issue notes. A year later, he established the Compagnie d'Occident ("Company of the West"), and used it exclusively to develop the vast French territories in the Mississippi River valley. Law's company also monopolized the French tobacco and African slave trades, and by 1719 the company held a complete monopoly of France's colonial trade. Law also took over the **collection of French taxes**, and the **minting of money. Given the latter's potential to generate profits, the public demand for shares in the company increased sharply.** Law hoped to get rid of the vast public debt accumulated during the later years of Louis XIV's reign by **selling his company's shares to the public.** A frenzy of wild speculation ensued, **leading to a general stockmarket boom across Europe.** The French government took advantage of this situation by **printing increased amounts of paper money**, which the state's creditors accepted, because it could be used to buy more of the company shares. This carried on until the **excessive issue of paper money stimulated a galloping inflation**, and the money began to lose its value. Meanwhile, the expected profits from the company's colonial ventures were slow to materialize, and the intricate linking of the company's stock with the state's finances **ended in complete disaster in 1720.**

According to Mark Twain: "History does not repeat itself, but if often rhymes."
According to Sir John Templeton, the **four most dangerous words in investing** are: **"This time is different."** Gold is the basic foundation of all the world's money and credit. It is a seismograph for inflation, and usually acts as a leading indicator. Historically, the **correlation between gold and oil** (and other commodities) **is very close**, typically having leads and lags of months rather than years. The gold/oil ratio always reverts to its mean, which is around 20 times. During the last fifty years, the divergence was only as big as it is today in a handful of moments. The COVID pandemic was the only time when the divergence was substantially bigger for a very short period of time.

Source: Dr. Uwe Bergold

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We have often elaborated on energy's structural situation in terms of underinvestment and consumption. Frequent readers of our newsletter remember that **we never had a high opinion of the IEA's forecasting skills regarding oil consumption's development.** However, it seems that other organizations do share our doubts. **OPEC has removed the IEA from their list of data providers, labelling the IEA as "unreliable."** Petrochemicals have, for example, grown 6% in India and are expected to triple by 2040. We have also elaborated on the depleted global inventories, and the financial sector's short positioning, which this sector will be forced to cover, as it cannot add physical products to its delivery commitment.

"Drill baby drill" is a hot topic

Contrary to all the noise, there is **no other country on the planet** (with perhaps the exception of Canada) where the **federal government's influence regarding oil production is smaller than in the US.** The government has 0.0% interest in the country's oil production. In most other countries, the government either controls the whole production fully (Aramco), or has a partial/majority interest in the largest producer (Rosneft, Petrobras, Equinor, etc.). The US is also an exception with regard to its mineral rights. **Usually, mineral rights** are separated from the land ownership, and **belong to the state**. **In the US, mineral rights are automatically attached to the land ownership**. The mineral rights are severable, which means they can be separated from the land, and the landlord can sell/lease them independently. Consequently, most of the land/mineral rights that produce oil are in private/corporate hands. The US is a pretty decentralized country regarding the relationship between the states and the federal government. Many regulations are not within the federal government's sphere of influence. The framework conditions in Nevada, Texas or California might therefore be as different as those in Siberia or Berlin. "Cash baby cash" is the US oil industry's correct, actual slogan. Chevron has announced a lower capex for the first time since COVID-19, announcing a 20% (!) reduction in its labor force. Exxon and others are echoing this sentiment. **Given the already reduced drilling activity, one truly has to believe in magic to expect a production boom in the foreseeable future.**

Gas prices strengthened during the heating season

European natural gas inventory ended in February with the biggest decline in a year, and with record trading volumes as players adjusted their outlooks after a tumultuous month. Inventories are **depleted and at their lowest levels since 2022.** Given the European energy disaster, there **are considerable doubts regarding Europe's ability to replenish its storage to required levels during this summer.** The US is formulating a project to reactivate North Stream through American businessmen. One investor consortium, led by the US, has already crafted a plan for a deal with Gazprom. This will be a very profitable JV for Russia and the US, which might have picked up the asset for free. In Norway, the government collapsed in light of its disastrous adoption of the EU energy directives. Norway suffers from the increasing prices, as it has chosen to be part of continental Europe's "Dunkelflaute" policy, i.e., referring to a situation where there's minimal sunshine and wind for extended periods. The country has a huge energy surplus and 95% of its electricity generation is through cheap hydropower. People are angry about being deceived by the whole green energy transition, which they now regard as a hoax. **Norway will experience a political shift to the right next autumn**, which should bring about some **normalization**, also regarding the **tax madness**. This should bode well for the **local oil and salmon industry**.

European fertilizer imports from Russia went through the roof after Europe chose a deindustrializing strategy

It is estimated that **global ammonia production** alone consumes **two percent of all the world's primary energy**. We have started to accumulate a position in **Nutrien** as the author of this text expected the US will force tariffs on Russian fertilizer coming to Europe. The author was wrong, it is the EU itself which will put **100% tariff on it to protect its own fertilizer industry** which the EU has destroyed first hand with its energy policy. Given such developments, the bread will hardly get cheaper. "Let them eat cake instead…" In November, Lukashenko proposed approaching Russian fertilizer producers to coordinate a substantial output cut of potash to increase its price. Belaruskali and Russia account for a third of global potash production, while Canada (mostly Nutrien) produces another third.

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In the previous newsletter/presentations, we explained the already severe shortage of mining concentrate in base metals

For more than half a year, this shortage has been evident through the collapsing treatment charges. With the usual timelag, this shortage results in an inevitable decline in refined metal's output. **Copper prices are, however, breaking out on the upside, and have already moved 20% since the beginning of the year.** Evidently, the reason for the concentrate shortage is **underinvestment in mines' production capacity of concentrate.** This situation does not /will **not differ in other metals**.

The world has entered a **new cycle of monetary and fiscal stimulus**. Europe will throw its last remaining fiscal discipline measures overboard. China will follow the same path as the West chose some years ago. Interest rates are breaking on the downside, and moving toward zero. The stock market has started to move up, after a typical lag, and other markets, like real estate, will follow. **This will push up inflation again, and is beneficiary for industrial commodities, infrastructure, cyclical sectors, emerging markets, value, etc.**

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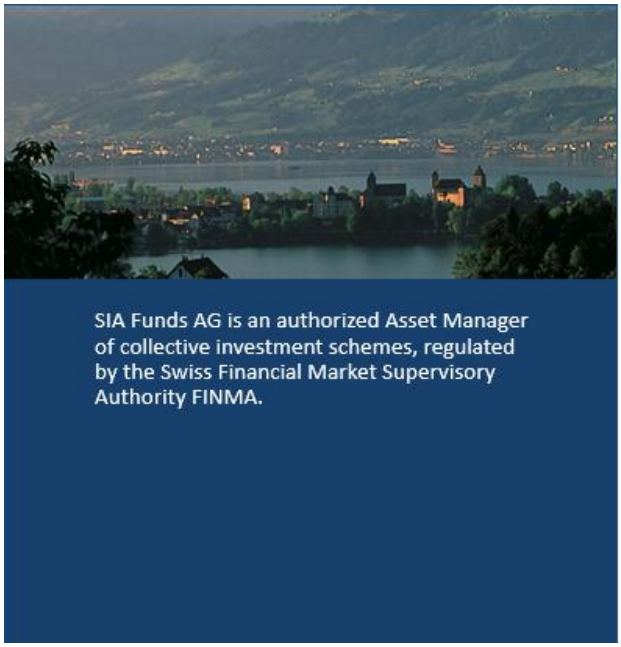

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