SIA
Strategic Investment Advisors Group

Long Term Investment Fund

Newsletter

of July 2025

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

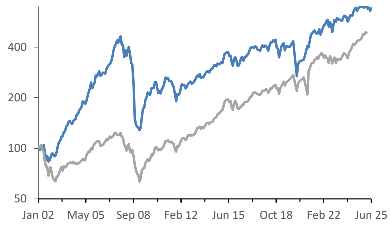
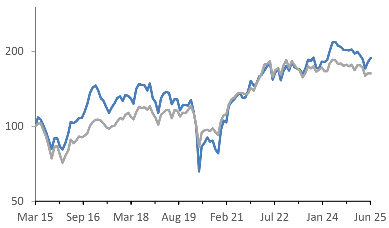


Figure 2: **LTIF Natural Resources EUR**
vs. S&P Global Nat. Res. Net TR Index EUR



"Be greedy when others are fearful."

Warren Buffett

Overview of our funds

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

June 30, 2025	NAV	Δ 3m	Δ 12m	Annualized return (s.i.)	AUM *(in mio)*
LTIF Classic [EUR]	683.02	1.4%	3.6%	8.7%	115
LTIF Natural Resources [EUR]	155.78	1.4%	-10.6%	2.2%	79

Source: SIA Group

I. THE ECONOMIC SLOWDOWN DRAGS ON

2025 is testing us… and we are being greedy

In our *Q125 Newsletter*, we highlighted our optimism about a global economic recovery and US stable growth (circa 2.7%) as well as a nascent improvement in both Europe's and China's economy. Our main assumptions were: 1) rate cuts in Europe and the US; 2) continuity in the Chinese economic policies supporting the property sector as well as the monetary and fiscal accommodation; 3) the beginning of a new global industrial cycle, after the last 2 years' downward phase, which included a destocking; and 4) the normalization of inflation.

The table below shows our base case scenario from the beginning of the year:

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		

Within a period of just a few months this year, two major events occurred that substantially changed the 2025 forecasts: 1) the trade war initiated by the Trump Administration after his election victory, and 2) the deterioration of the war in Gaza, followed by the 12-day War between Israel and Iran, in which the US was also involved.

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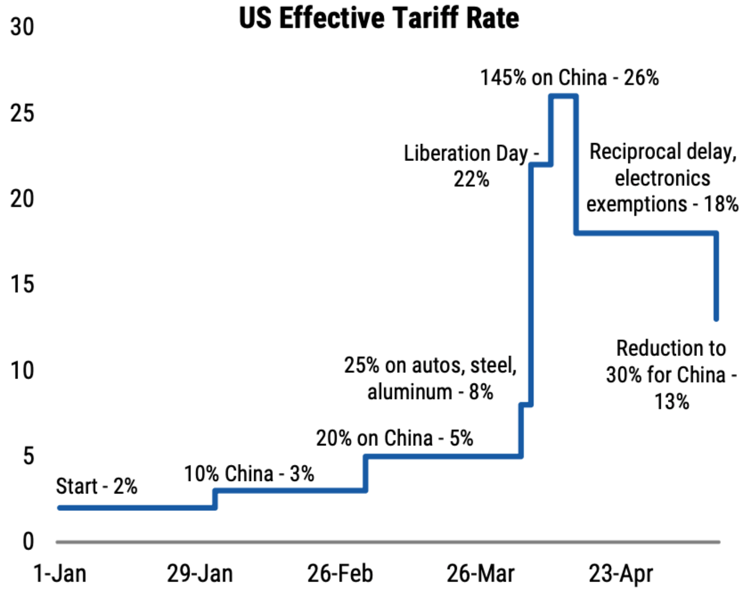
The following graph shows the **impact that the Trump Administration's tariffs had. In summary, these went from an effective 2% in 2024 to 13% in 2025 (peaking at 26% in mid-April).** We believe these tariffs will soften as the negotiations about them progress. In addition, we believe the final average tariff levels will be around 10%, although this is subject to substantial uncertainty, and—even worse—noise ahead.



Source: Morgan Stanley Research forecasts; Note: Tariffs on China here are the incremental tariffs from end-2024, which were 10%.

After revisiting our assumptions, **we decreased the expected economic growth in the US to around 2% in 2025,** but maintained our Europe and China estimates almost unchanged, since monetary and fiscal policies have room for manoeuvres to offset tariffs' effect. Macroeconomic models need to be dynamic, and we should not estimate a trade war's isolated impact without taking the mitigation measures that all countries will implement into account. We also understand that the FED has scope to lower the interest rates, which should help the US economy's growth to be close to 2% in 2025.

GDP Growth Estimates 2025/26			
	2024	2025	2026
US	2,8%	2,0%	2,3%
Europe	1,0%	1,3%	1,5%
China	4,8%	4,6%	5,0%
		Source: IMF, ECB, SIA AM	

The new upward industrial cycle is delayed, but awaits us

After almost three years of a downward global industrial cycle, including a destocking phase in 2024, **we continue to expect an improvement in the global industrial cycle in the coming quarters,** despite the Trump Administration's tariffs.

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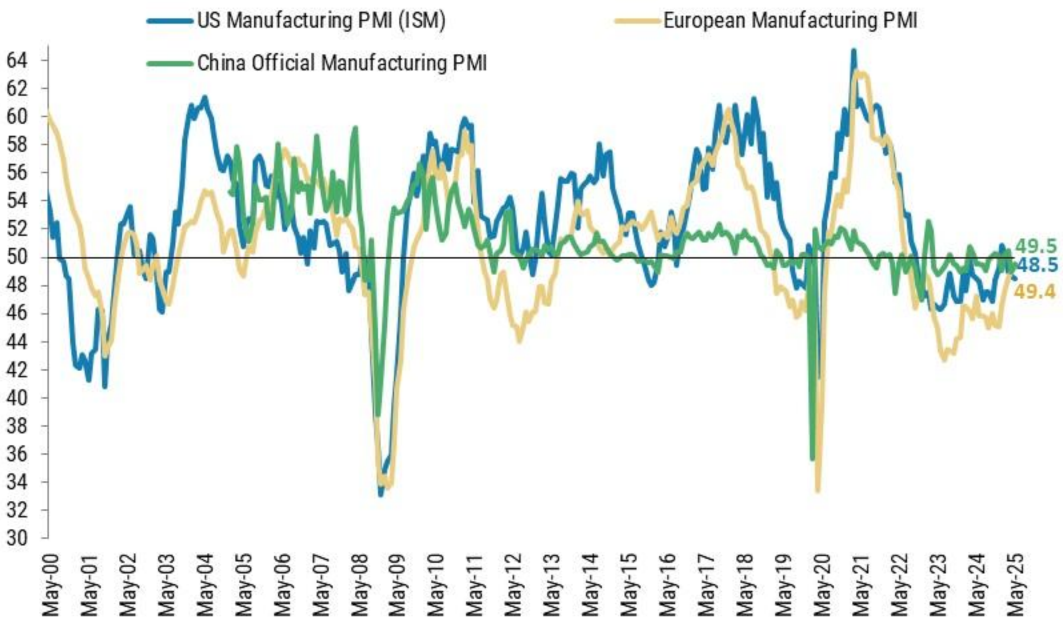
Three very important sectors are showing **positive signs: residential construction in Europe and the US** (down to 1.2 million housing starts in May-25, near the cyclical lows), **the private investment cycle** (technology, infrastructures, energy transition, and supply chains, among others), **and defence investments**, especially in Europe, but also globally, which will have a multiplier effect on many countries' economy.



Source: Morgan Stanley

Inflation has already normalized, but we see a medium-term upwards pressure

There is no change in our opinion about inflation. After normalizing post-Covid (despite predictions of disaster), we now see upward pressures in the medium term that will push inflation higher than it was during the past decade: employment, energy, commodities, the FAI cycle, defence, infrastructure, electrification, and others will exert upward pressure on prices in the medium term.

However, the economic down cycle we are currently experiencing will help contain inflation in 2025 and 2026 (excluding tariffs' impact, which, however, we consider a one-off). Very much in line with the two charts below, we estimate that inflation in Europe will be between 2%-2.5% in 2025/26, somewhat lower than that in the US, which is likely to hover around 3.0%.

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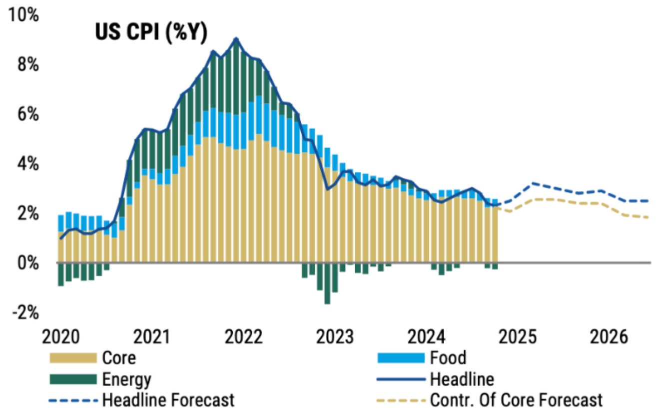
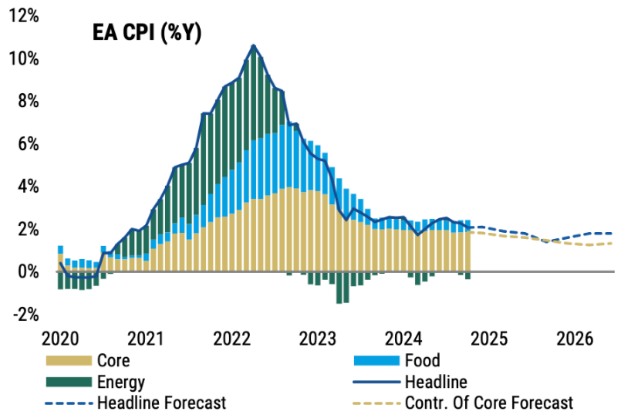


Source: BLS, Morgan Stanley Research forecasts

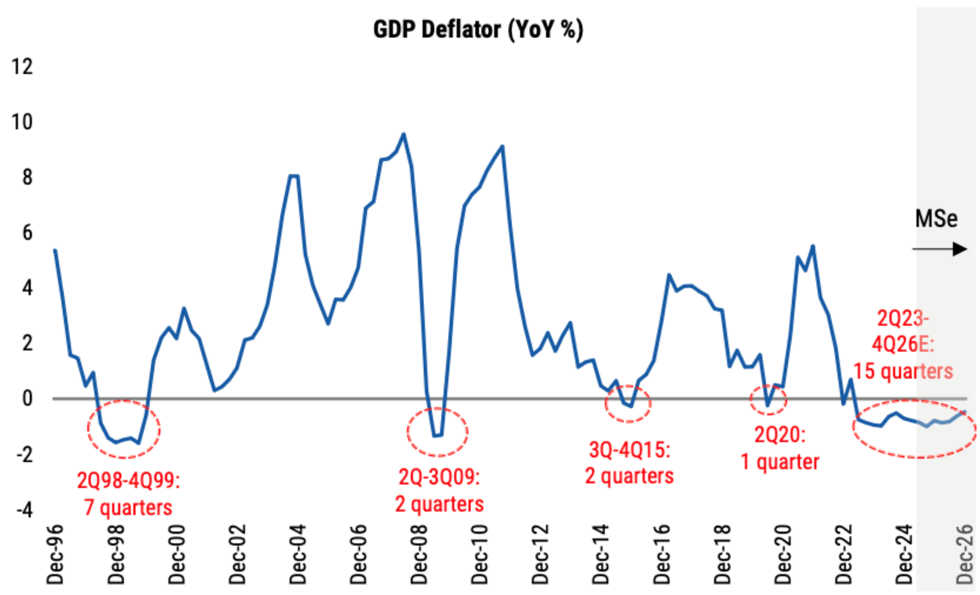


Source: Eurostat, Morgan Stanley Research forecasts

China has yet to recover after 4 years of weakness

The Chinese giant has still not woken up, and the latest data for May 2025 is still very similar to that of the last three years: fixed asset investment +3-4%, industrial production +5-6%, consumption +5-6%. This data is just sufficient to offset the **property sector's deep crisis (20%+ of the Chinese economy):** housing completions -20%, real estate investment -10%, with the real estate sector experiencing a downward cycle since 2022.

The GDP deflator (see graph below) is one way of understanding China's difficult economic position since 2022: It not only shows the economic slowdown's effect, but also its duration. Unlike in 1999, 2009, 2015, and 2020, this slowdown has not recovered—a trend that has thrown us off track. **We are facing something "different" than a normal cycle, and we guess that this will require structural measures.**



Source: CEIC, Morgan Stanley Research forecasts

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We still believe that the new Chinese property cycle will be a reality within 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. These policies should enable the Chinese government to stabilize the cycle as early as 2025. If not, further structural measures will be required, some of which, we are convinced, the Chinese government will tackle.

Conclusion: we do not see a global recession, but a delayed recovery

The Trump Administration's trade war and, to a lesser extent, the worsening conflict between Israel, Hamas, and Iran impacted our early 2025 baseline scenario negatively. **We understand that the economic data will continue to worsen in the coming quarters, meaning that our forecasted improvement from H225 onward might be delayed** until the end of the year. This situation could lead to some short-term volatility, while we could take advantage of the probable market corrections.

As Buffett says, be greedy when others are *fearing a recession*.

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II. MR. MARKET IS NOT EXPENSIVE

We are a bit tired of the repeated comments about how expensive the stock market and the market drawdowns to come are, when our models suggest that: 1) **in general terms, the stock market is not expensive**, and 2) **we cannot identify any significant bubbles,** either in the sector or at the geographic level.

The **biggest uniqueness factor in this cycle is the Magnificent 7's weight within the US index and most global indices.** The latter is significantly distorting the perception of how expensive the stock market is. We have run through our numbers, and the following are our conclusions:

1) **Value is cheap** (PER15x) **vs. Growth** (PER28x).
2) **Mag7-adjusted US indices (PER 17-18x 25) are trading in line with their historical average**, so not expensive. **Europe (PER 15x)** and **Emerging Markets are also cheap.**
3) By sectors, **only Technology (P/E 30x 25) is trading at a significant premium compared to its historical average**. Health/Pharma, Materials, Energy, and Financials trade at a discount.

1. ***Factors. Value*** **is clearly undervalued when compared to** ***Growth***.

It has been 4 years since we started to feel a new Value cycle was starting (after more than a decade of Growth led by the Magnificent 7). To this day, Value has not caught up, trading below its historical average (PER 15x vs. 17x), while Growth is trading above it (28x vs. 24x).

MXWO Index	VALUE	GROWTH
Price	3.902	5.959
PER25	**15,1**	**27,8**
Historical PER	17,3	23,6
P/Book25	**1,9**	**5,8**
Historical P/B	1,7	3,5

Source: Bloomberg, MSCI, SIA

As we have commented on multiple occasions, **we are convinced that the Magnificent 7 cannot repeat their growth of the past two decades, meaning that the US and global indices will struggle to maintain a double-digit annual growth.** This will have an impact on passive investing, whose low-hanging fruit harvest has perhaps come to an end.

We cannot, of course, demonstrate our opinion, and we are not going to carry out a detailed analysis of the Magnificent 7. We have, however, decided to summarize our basic thoughts on why a basket of these 7 businesses should not beat the LTIF Classic in the medium to long term, below.

1) **Tesla faces tougher competition**, mainly from Chinese electric car companies. This probably means lower volumes and weaker margins ahead. Tesla could perhaps reinvent itself with *robo-taxis*, or humanoids, or AI? May be, but competition will be tough.
2) **Nvidia is a cyclical growth company at the peak of its cycle** and will also face stronger competition from 2026/27. Nvidia's current technology advantage is not structural, in our view.

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3) **Microsoft and Amazon are trading at a P/E of 36x25.** This multiple can only be justified with double-digit growth in the long-term, which seems challenging, given their size and market share.
4) **With the arrival of AI, Google's search engine is facing a structural transition.** It might or might not still lead, but in our opinion, maintaining its current market share in advertising will be difficult.
5) **Apple, which was in the LTIF Classic for more than 10 years (and we bought it below PER10x) is trading at a PER of 28x** with revenues growing at best at about 5%.
6) **Meta's** business model is not to our liking due to the ethical considerations regarding its use of social networks. In our view, there is some underlying risk.

2. Geographies. The only expensive index is the Nasdaq.

As can be seen in the following table, only the Nasdaq (PER27x) and the S&P500 (PER22x) trade above their historical averages. The weight of the Magnificent 7 influences the multiples of the S&P500 heavily, as shown by the equally weighted S&P500, which trades at PER17x, in line with its historical average.

Index	**SPW**	**SPX**	**NASDAQ**	**SXXP**	**SHSZ300**	**BOVESPA**	**XU100 TURKEY**	**TOPIX**
Price	7.180	5.968	21.626	536	3.857	137.115	9.150	2.761
PER25	**17,4**	**22,1**	**27,4**	**14,7**	**13,1**	**9,0**	**3,7**	**14,9**
Historical PER	18,5	17,5	25,0	19,0	17,0	16,0	10,5	18,0
P/B25	**2,8**	**4,6**	**7,2**	**1,8**	**1,4**	**1,2**	**0,6**	**1,3**
HistoricalP/B	2,7	2,8	4,2	1,8	2,0	1,3	1,4	1,3

Source: Bloomberg, MSCI, SIA

3. Sectors. **Only tech looks expensive**

Finally, by sector, only technology is above its historical average, close to 30x P/E and 8x the book value, which is a demanding valuation level.

MXWO Index	**INDUSTRIALS**	**CONSUMER STAPLES**	**HEALTHCARE**	**MATERIALS**	**ENERGY**	**TECH**	**FINANCIALS**	**INSURANCE**
Price	453	301	346	341	259	811	202	212
PER25	**22,2**	**20,5**	**16,2**	**17,3**	**15,0**	**30,1**	**14,1**	**12,8**
Historical PER	20,0	21,0	22,0	20,0	16,0	24,3	14,0	15,0
P/Book25	**3,5**	**4,1**	**3,4**	**1,9**	**1,7**	**7,9**	**1,7**	**1,9**
Historical P/B	2,6	3,9	3,8	2,0	2,0	3,6	1,5	1,4

Source: Bloomberg, MSCI, SIA

4. **Conclusion**

According to our estimates, Mr. Market is, broadly speaking, not expensive. The technology sector, led by the Magnificent 7, is the only one trading above its historical multiples.

We are, therefore, not facing a valuation problem or a stock market bubble as most of the media state. **The problem, or rather the stock market's differentiating factor, is the all-time high corporate margins (and returns on capital) in most sectors**, massively beating labour compensation growth.

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These margins (and returns) depend mainly on the sector structure and competition and generally change only gradually and over the long term. We therefore do not think that they are a risk for the stock market, at least not in the short and medium term. If we were to converge all the sectors to their historical returns as early as 2025, then yes, the stock markets' valuation levels would be too high.

A second uniqueness factor is the size of the Magnificent 7, i.e., 7 companies that are investing $200bn a year in R&D alone, which is, for example, higher than Germany's investment of around $150bn. These giants, with their extraordinary business models (unlike the tech start-ups of the 2000 tech bubble), are even calling the existing company-country balance into question. Since they account for 1/3 of the American index, their future performance will be decisive for Mr. Market.

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III. LOOK TROUGH PROFITABILITY AND EXPECTED RETURN by *Alex Rauchenstein*

As the latest update of our LTIF Classic's look-through probability report of June 30 shows, if we regard it as if it were a holding company with 35 different business lines, **we have valuation multiples that are** (see P/E, Dividend Yield and Price to Book in the following chart) **substantially more attractive than the broad market**. This detailed calculation is based on each company average analyst expectations.

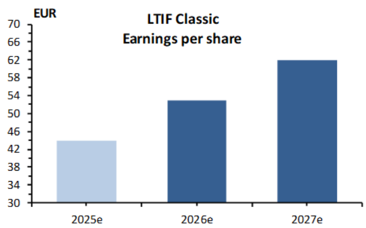
Date	NAV	%
31.12.2020	407.9	
31.12.2021	494.3	21.2%
31.12.2022	565.3	14.4%
31.12.2023	616.7	9.1%
31.12.2024	688.5	11.6%

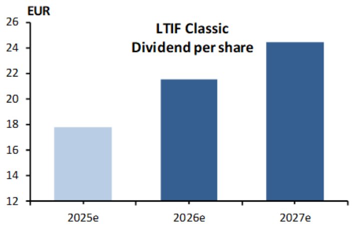
Reporting LTIF Classic as of 30.06.2025 (aggregated data in EUR)

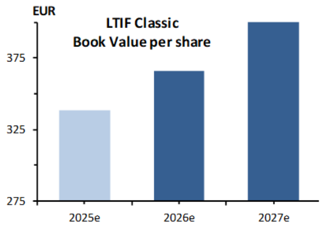
Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2025e	43.9		16.2	6.2%	23.6	4.2%
2026e	52.8	20%	13.5	7.4%	21.7	4.6%
2027e	62.0	17%	11.5	8.7%	19.3	5.2%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2025e	17.8		2.5%	1.7%
2026e	21.5	21%	3.0%	1.8%
2027e	24.4	13%	3.4%	2.0%

Year	BPS	%	P/B	MSCI World P/B
2025e	338.9		2.1	3.7
2026e	366.1	8%	1.9	3.4
2027e	399.9	9%	1.8	3.1







Source: SIA Group / Bloomberg

Consequently, **this report shows that even without our own detailed analysis of each company, our *Classic Holding* trades at very attractive multiples.**

The long-term investors in our fund know that, in addition to the look-through probability report shown above, **we also calculate an Expected Return (ER) per company based on our own models**. This return represents the annual average internal rate of return (IRR) that we are expected to make from our investment per year. To explain it very simplistically, let's assume that instead of investing in companies, we invest in an apartment building, and let's further assume that we had paid EUR 100 to buy it. Currently, we rent out our 5 apartments and collect a total net rent* of EUR 5. In this very simple example, our Expected Return would be 5% per year.
*(*Total net rent = rent minus the building's depreciation, maintenance costs, other costs)*

In comparison, our current expected return from the LTIF Classic is 16.8 %. The chart below shows the development of our expected return since 2019. As you see on the chart, **our ER since 2019 has mostly moved, within a standard deviation band of 1, between 13% and 16%.** In March 2020, during the Covid crisis, our expected return hit an extraordinary level of 20%. On the same chart you can also see the blue bars representing the NAV of the LTIF Classic. And the NAV dropped quite a bit during the Covid crisis.

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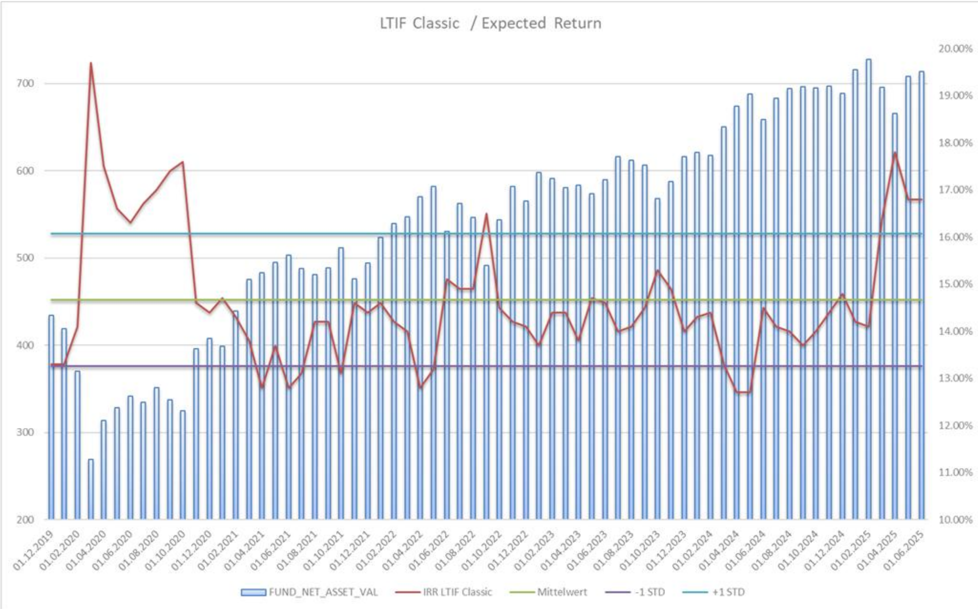
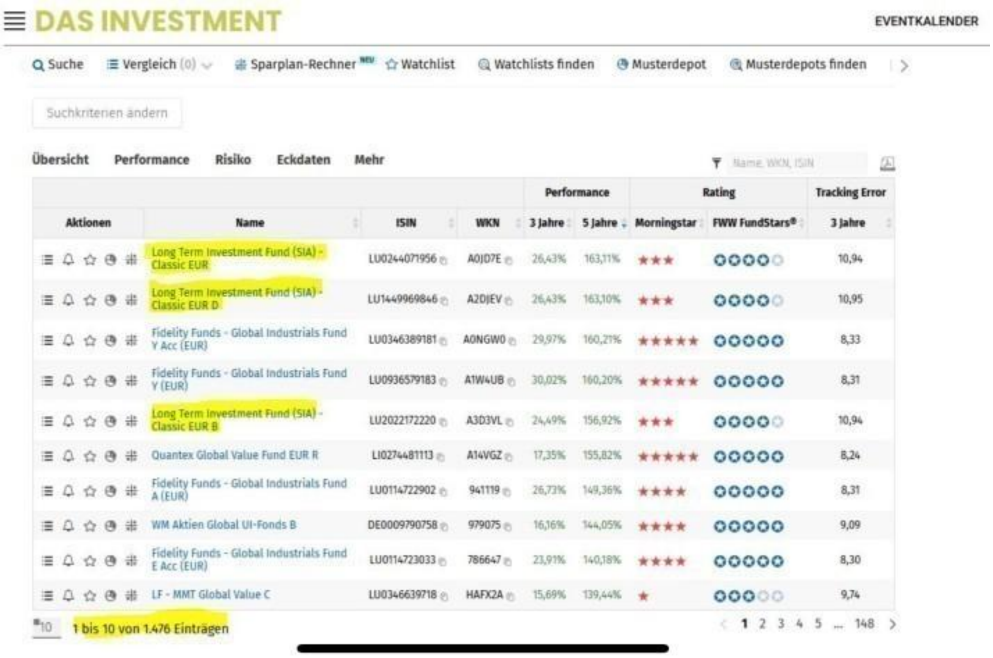


Source: SIA Group / Bloomberg

Our unique Expected Return concept clearly shows that, as long as our main investment thesis are correct, investors should never contemplate selling our Fund during such moments. In fact, they should do the opposite, and make use of the great ER, and buy more. Such actions are fully aligned with the Warren Buffet remarks that our CIO Marcos Hernandez Aguado quoted in our March 2020 Newsletter.

Buffett, always Buffett: ***"Every decade or so, dark clouds will fill the economic skies, and they will briefly rain gold. When down-pours of that sort occur, it's imperative that we rush outdoors carrying washtubs, not teaspoons.*** Warren Buffett, Letters to the Shareholders of Berkshire

And as suggested by the expected IRR reached in March 2020, the next 5 years have been excellent. The next table was published a couple of weeks ago in a German investor magazine called **„Das Investment"** which compared **1,476 Global Equity Funds over the last 5 years, pretty much since the Covid Low in 2020. It shows our LTIF Classic in the first place!**



Aktionen	Name	ISIN	WKN	Performance 3 Jahre	Performance 5 Jahre	Rating Morningstar	Rating FWW FundStars®	Tracking Error 3 Jahre
	Long Term Investment Fund (SIA) - Classic EUR	LU0244071956	A0JD7E	26,43%	163,11%	★★★		10,94
	Long Term Investment Fund (SIA) - Classic EUR D	LU1449969846	A2DJEV	26,43%	163,10%	★★★		10,95
	Fidelity Funds - Global Industrials Fund Y Acc (EUR)	LU0346389181	A0NGW0	29,97%	160,21%	★★★★★		8,33
	Fidelity Funds - Global Industrials Fund Y (EUR)	LU0936579183	A1W4UB	30,02%	160,20%	★★★★★		8,31
	Long Term Investment Fund (SIA) - Classic EUR B	LU2022172220	A3D3VL	24,49%	156,92%	★★★		10,94
	Quantex Global Value Fund EUR R	LI0274481113	A14VGZ	17,35%	155,82%	★★★★★		8,24
	Fidelity Funds - Global Industrials Fund A (EUR)	LU0114722902	941119	26,73%	149,36%	★★★★		8,31
	WM Aktien Global UI-Fonds B	DE0009790758	979075	16,16%	144,05%	★★★★		9,09
	Fidelity Funds - Global Industrials Fund E Acc (EUR)	LU0114723033	786647	23,91%	140,18%	★★★★		8,30
	LF - MMT Global Value C	LU0346639718	HAFX2A	15,69%	139,44%	★		9,74

10 1 bis 10 von 1.476 Einträgen 1 2 3 4 5 ... 148

And if you next check our LTIF Classic's average annual performance since the Covid19 low, it was very close to our expected return of 20% back in March 2020, even a bit better.

Last, but not least, please find below our updated LTIF Natural Resources Fund's look-through probability report. As you can see, all the valuation multiples of this Fund are also more attractive than the S&P Natural Resources Index.

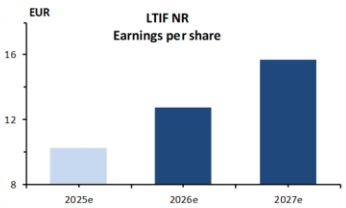
Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%
31.12.2022	138.4	12.9%
31.12.2023	150.3	8.6%
31.12.2024	162.0	7.8%

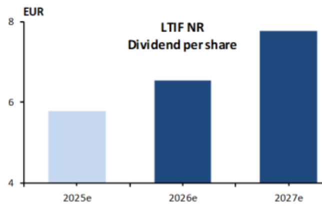
Reporting LTIF NR as of 30.06.2025 (aggregated data in EUR)

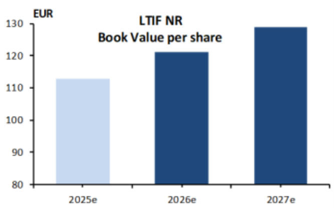
Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2025e	10.2		15.3	6.5%	15.5	6.5%
2026e	12.7	25%	12.3	8.1%	13.7	7.3%
2027e	15.7	23%	10.0	10.0%	11.9	8.4%

Year	DPS	%	Div. Yield	S&P NR Div. Yield
2025e	5.8		3.7%	3.6%
2026e	6.5	13%	4.2%	3.7%
2027e	7.8	19%	4.9%	3.9%

Year	BPS	%	P/B	S&P NR P/B
2025e	112.9		1.4	1.5
2026e	121.1	7%	1.3	1.4
2027e	128.7	6%	1.2	1.4







Source: SIA Group / Bloomberg

Allow me to use just one example from all these Ratios: Our LTIF NR's expected Dividend Yield will be almost 5% in 2027, even though the commodity prices used for this calculation are still pretty low in our view, taking the supply constraints in coming years in consideration.

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IV. LONG TERM INVESTMENT FUND (LTIF) CLASSIC: *Shopping in April*

LTIF Classic: +3% ytd. € 710 per share

Amid dire predictions and fears of a new recession, the price of the Classic (not to be confused with its value) **went from levels close to €735 per share in February to levels of €625 in April, -15% in a few weeks.** The fund's IRR jumped (19%) and we decided to start reinvesting, calmly, at those levels and below, in case the prices continued to fall.

We entered 2025 with about 8pp of the fund in cash, while the takeover bid on the insurance company Catalana de Occidente added another 3pp before the April correction. This meant a total of about **11pp of cash of which we have reinvested half (6pp) at very interesting rates of return, close to 20%.**

At the beginning of June, the fund returned to levels of €715 per share, a level that compares with our guidance of a NAV of €750 for 2025. It is interesting to note that Energy, Mines, and Salmon (together about 30% of the fund) did not do well on the stock market either in 2024 or so far in 2025, evidence of the fund's hidden value at current prices.

What went well this year? By sector: aerospace and defence, cleaning services (ISS), and financials (banks and insurance). By stocks, the best were Metso, MTU Aeroengines, Raytheon, Grieg Seafood, and ISS, while the worst were Henkel, salmon, and oil companies. As we just mentioned, a takeover of the insurance company Catalana de Occidente was launched at levels close to our Intrinsic Value, and we said **goodbye to another jewel of the Classic (after Devro a couple of years ago).**

The updated IRR of the Classic has leapt to 17%. The Intrinsic Value is € 1225 per share

Thanks to the price drop in April and the rebalancing of the portfolio, the fund's IRR has made a significant jump and stands at levels of 17% gross, or 15.5% net of fees and expenses. This IRR implies that the fund should double in 5 years, at about 2030.

Note that in the last major correction (March 2020, during Covid), the fund's IRR jumped to 20%+ and the fund's return during the following 5 years was 22%, which demonstrates our estimates' consistency. We show our expected returns in the 2 following charts: in the first chart we present our official NAV target for the fund until 2030, which we started to release back in 2021 and which we have not changed (assumes 10% p.a., our guidance).

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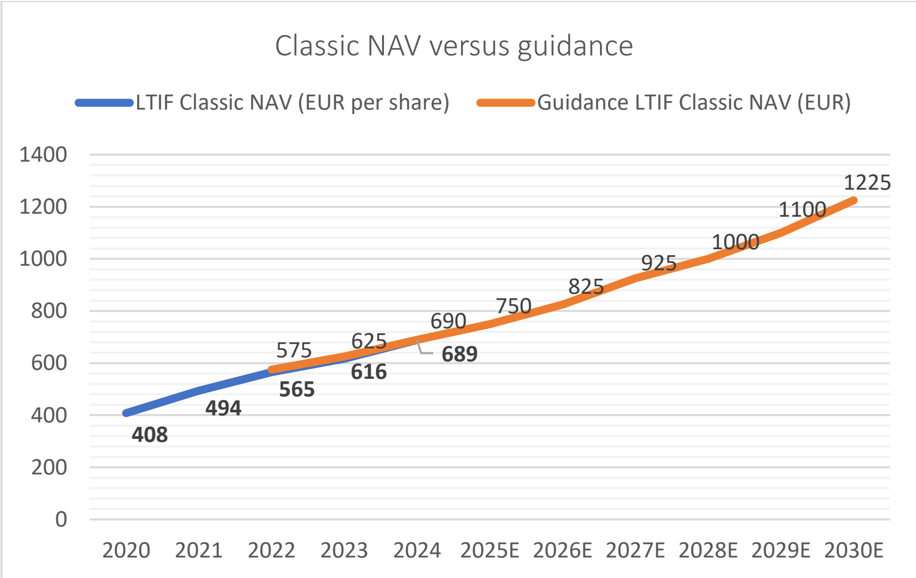
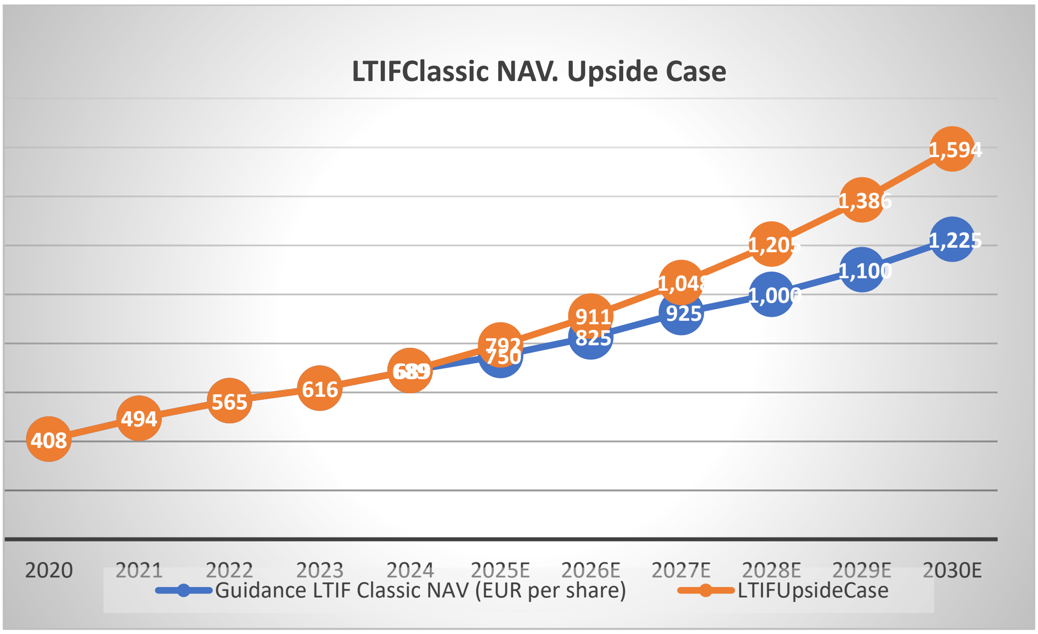


In the second chart, we show the Classic's expected performance if it were to reach an IRR of 15%, which our DCFs suggest, therefore doubling in 5 years instead of 7 years. The performance will probably lie between these two lines, as the fund is highly diversified, and does not depend on a single investment theory.



Almost half of the LTIF Classic if invested in 10 well-diversified companies

We have decided to change the presentation of the fund's main positions. We will continue to publish them regularly, but without weights, as we believe these are the result of our proprietary work, and should not be the focus of discussion.

What is important is that the **fund is highly diversified and does not depend on any single investment theory**, whether in terms of the sector, company, geography or whatever other factor. Further, the fund

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is also **prepared to weather any crisis or recession** due to our 4 Gs' mantra "Good business, Good management, Good balance sheet @ Good Price" and our portfolio construction, structured under risk categories. Below are the Classic's main holdings, which have a weighting of over 40% of the Fund. We have added a short description to show the diversification both by business and by geography.

LTIF Classic Top10 Holdings (Jun 2025)		
Pluxee	Digital Meal Vouchers	Global
ISS A/S	Cleaning	Global
Leroy Seafood ASA	Salmon Farmer	Mainly exporter to Europe and the US
Reckitt Beckinser Plc	Pharma. Hygiene. HPC	Global
ASML	Semiconductor equipment	Global
Medtronic Plc	Medtech	Global
Grifols SA	Plasma proteins	Global
Nexans	Electric Cables	Global
Pandora	Affordable Jewelry	Global
First Quantum Ltd	Copper Miner	Exports globally

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V. QUARTERLY INVESTMENT CASE: *Leroy Seafood*

We have chosen Leroy Seafood as our quarterly investment case, because, against a backdrop of a sharp decline in stock prices **over the last 2-3 years, we have been building a significant stake in the salmon sector and in Leroy**.

Several relevant factors do have a negative impact on the sector; we summarize them in 3 points.

1. **Tax hikes and regulatory uncertainty**, mainly in Norway.
2. **Cost increases** above inflation, for the whole sector globally.
3. **Near perfect biological conditions in 2025,** with biomass (tons at sea) growing by 10-11% in May, pushing prices down.

Of these 3 factors, one is cyclical (biological conditions), follows a multitude of environmental factors (temperature, currents, viruses etc...) **and therefore does not represent any structural change in supply** in the medium to long term, which we estimate can grow around 3-4% per year.

The increase in costs is a problem that affects the whole sector at a global level (derived from the rise in salmon feed prices), **so it should not be a factor that leads to a structural change in the sector's profitability**. This cost inflation will be passed on to prices, especially since this inflation is also affecting most of the competing proteins.

The tax change in Norway (in 2023), which affects 50% of the supply curve, is already reflected in our models. Furthermore, in our opinion, Chile and the rest of the producing countries will also be raising their taxes, following Norway (the Faroe Islands already did). This means that **this tax increase can also be assimilated into an increase in costs,** which will also end up being passed to the consumer.

Finally, and this is probably the most uncertain factor, the Norwegian government wants to revise the sector's regulation within the next two years, with the aim of improving salmon's living conditions. We understand that this is not negative, as it is key that salmon farming's biological conditions achieve the highest possible standards. We are not concerned, and we do not think this will change the sector's intrinsic profitability. On the contrary, this regulation could limit the sector's growth, thereby having a positive impact on the prices.

We are invested in 5 salmon farming companies in order to diversify the risk of a single factor. Leroy is one of the companies we hold. **Leroy plans to harvest 200,000 tons of salmon in 2025 (7-8% of the world supply), and the company has good assets, a good management team, and a good balance sheet.** The current share price is very depressed and our DCF indicates an IRR on investment of 18% and an intrinsic value of NOK 80 per share.

Leroy Seafood. Consensus Estimates 2025-2027

	2025E	2026E	2027E
PER	13,4	9,9	**8,7**
P/B	1,4	1,3	1,2
RoE	7,4%	13,8%	14,5

Source: Bloomberg, SIA estimates

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VI. LONG TERM INVESTMENT FUND (LTIF) NATURAL RESOURCES: € 155 p.s. -2% ytd

2025 is a challenging year… one when we must be greedy

In a context of global economic slowdown, such as the one we have been experiencing since 2024, it is quite normal for commodities not to achieve a good stock market performance. 2024 was already a tough year, although the LTIF NR rose 8%; 2025 looks set to continue in the same vein, and we are taking advantage of this to buy cheaper. Most of our investors are well educated about our philosophy of investing for the long term and know that low prices are a fantastic opportunity to generate value... let's be greedy.

The moment Mr. Market anticipates the economic recovery we expect (possibly late in 2025, supported by accommodative monetary and fiscal policies globally, and an investment cycle in infrastructure and defence) **it will resume the bullish path in natural resources**, which we believe will be in place for many years to come (given that investments in the sector have to make up for the *lost decade* since 2013).

16% IRR. IV: € 250 per share

Weakness in some of the sectors in which we are invested is helping us strengthen the portfolio at depressed prices and great returns (e.g. oil companies), while the fund's updated IRR has risen to 16%, with an intrinsic value of €250 per share, and a three-year appreciation potential of over 50%.

In this first half of the year the fund is at -3% with a NAV of €156 per share, with most commodity prices at low levels, except copper and gold. We remind you, as usual, that our DCFs are converged models using commodity prices in equilibrium (incentive levels), and margins and returns are mid-cycle estimates.

We do not attempt to value the bullish part of the commodity cycle, although we should perhaps, because it will be a phase that will last for a decade or more, and its impact on the free cash flow and valuation will be meaningful.

LTIF Natural Resources' main positions are as follows:

Top 10 Holdings	
First Quantum	Copper miner
Leroy Seafood	Salmon farmer
TGS	Seismic tech for E&Ps
Teck Resources	Copper & Zinc miner
Nexans	Electric Cables
EOG Resources	US Shale Oil
Harbour Energy	North Sea Oil and Gas
Occidental Petroleum	US Shale Oil
Kazatomprom	Uranium
Mowi	Salmon farmer

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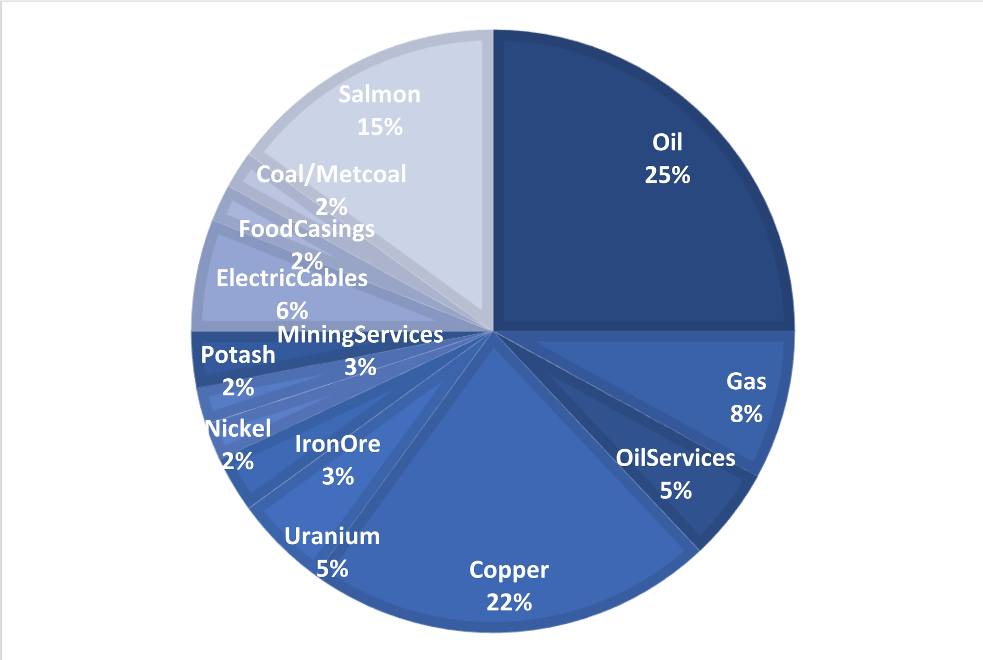
The current breakdown of the fund by natural resources is as follows:

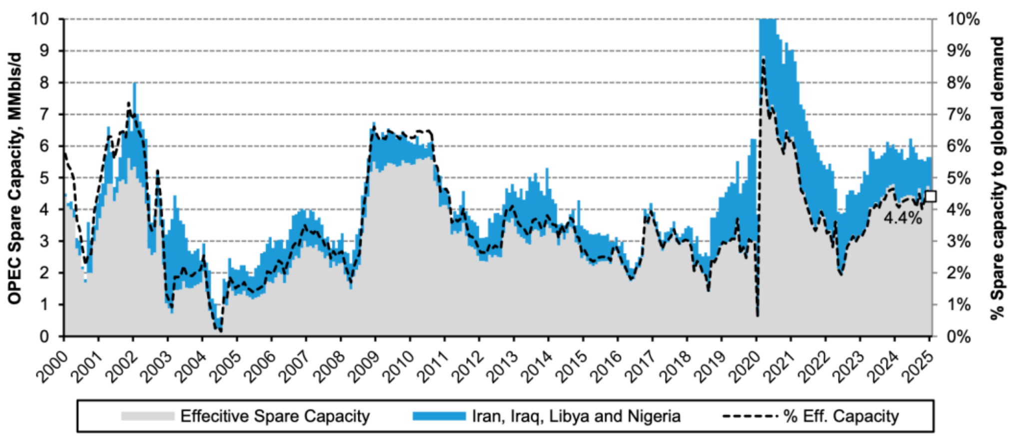


Source: SIA AM

Oil sector update: easy to lose sight

Following the war between Israel and Iran (the 12-Day War for the time being) we have reviewed our baseline scenario of the oil sector for the next few years. Please find our main conclusions below:

1. **OPEC+ cuts have brought the sector's total idle capacity to about 5 million b/d,** about 4.8% of world production.

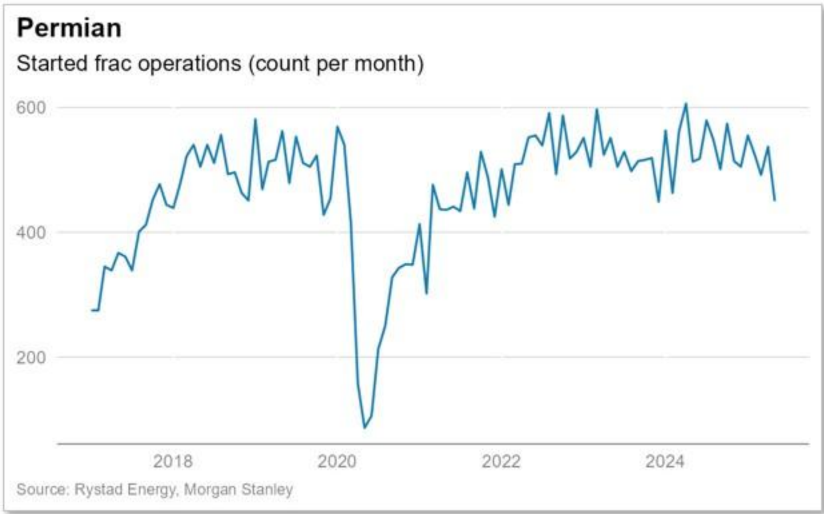


Source: IEA, Bernstein analysis

2. Despite media statements, **we remain convinced that OPEC+ will continue to intervene in the market to keep the prices in a range of \$70-\$90 Brent**, or around \$80 Brent per barrel as during the last 2 years.

3. **Issues such as a weak demand (cycle) in the short term, or overproduction in some OPEC+ countries (Kazakhstan, Iraq or the UAE) may temporarily push prices down to $60,** but we understand that the $70-$90 Brent range is the one that balances most interests.

4. **At $70 WTI levels, the American rig count stabilizes or even falls**, so that the country that has contributed most to supply growth in the last 10 years will no longer grow, and will even decrease production.



5. **With demand growing on average by 1-1.5m b/d per year and supply by 0.5m b/d per year in the period 2025-2030, we believe that there are only about 2-3 years left during which the sector will be sufficiently supplied.** It is very difficult to anticipate when we will reach the idle capacity limit (about 3m b/d), a limit where inventory levels are too low, but our model suggests that this scenario will happen within the next 2-3 years.

Why are we invested in the oil sector when it seems to be well supplied during the next 2-3 years?

1. **Shares of oil and gas companies are extremely cheap and our average IRR to investment is 16%** using $80 Brent and $3.5 MMcf as incentive prices.

2. **Our oil companies' free cash flow yield is 10-12%, which we will be earning through dividends and share buybacks.** This is very important and not well understood: **there has been a regime change in the sector** that historically invested at almost any return above zero and is now far more **disciplined about re-investment.**

3. We invest in companies for the long term, keeping the next 5 years in mind. **If our scenario is correct, we will see oil prices well above $100 brent in the next 5 years, and our IRR will be even higher than the 16%** that our mid-cycle models expect.

4. **There are many options that suggest the upward cycle could occur earlier than expected** (options associated with the structural lack of investment and the difficult geo-political situation): instability in the Middle East; problems in major oil-producing countries such as Venezuela, Russia, Iran, Nigeria, and Mexico; the shale oil production decline, which could surprise to the upside in a less benign geological context; the impact of ESG, CO_2, or tax

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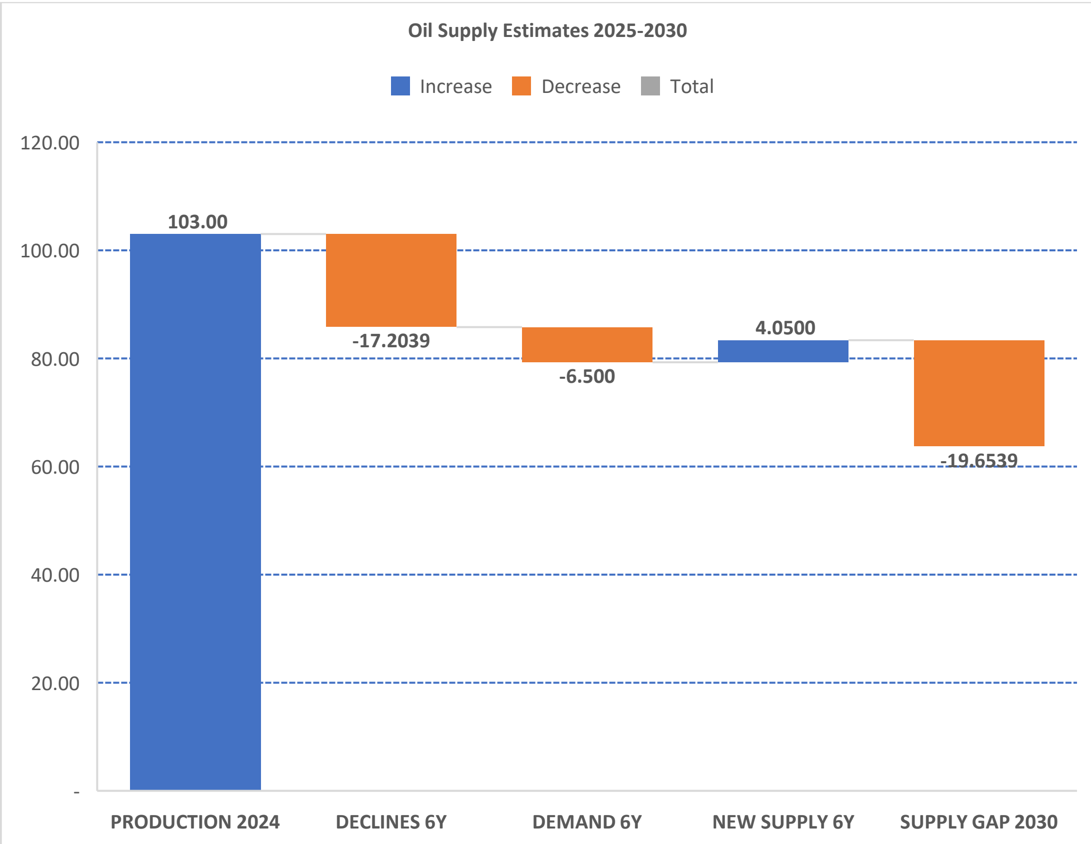
regulation; and the delayed impact of the lack of investment since 2013. And there are more.

Conclusion

In short, nothing has changed for us except that we can now re-invest cheaper. We still think that, on the demand side, we will reach 110 million b/d in 2030 (6 million b/d higher than 2024) and global demand will not peak before 2035.

On the supply side, we only have about 2-3 million b/d idle, plus new projects for another 4 million b/d in the next 5 years. These 6-7 million b/d just match the increase in global demand.

The elephant in the room is the global decline (depletion): conservatively 3% per year, i.e., about 15-16m b/d until the end of the decade. **This means that we will soon need to find another shale oil-type reserve** (which came almost out of nowhere in 2012/13); however, for the time being we are unable to identify one. Any suggestion?



Source: SIA AM

Here's the question that makes us so confident about our oil investment theory: **What would have happened if the U.S. hadn't developed shale oil?** That's what we're going to experience in the next few years... unless we find new massive oil reserves.

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VII. NATURAL RESOURCES THOUGHTS by *Urs Marti*

Source: @DilleyCouture

Much has been said about the entire issue regarding the trade war. And everything written today is already obsolete tomorrow. In a first reaction, the financial industry and its algorithm machines decided to short even more oil, as it will be the only liquid future available in the commodity space (we have often elaborated on the unsustainable short position of financial speculators). In reality, oil is one of the least affected goods by the trade war, since China has no oil trade with the US or even with the so-called West as a whole. In the end, this whole tariff issue will eventually be settled. Further, the impact on China might not be as great as perceived in the West, while the slowdown fears in China could be exaggerated.

We have commented on the massive economic programs in China, the declining interest rates, and China's "quantitative easing" (in 2024, the number of government bonds the People's bank of China bought was double that which it had bought in 2023). Since the country is doing exactly what the West did before, we do not expect a different outcome. The last figures published are from the end of May, so the worst might be still ahead of us, but the electricity demand defies China's slowdown fears. During the US-China trade war, electricity consumption has remained robust despite the forecasts of a lower GDP growth and is growing around five percent now.

One would think that iron ore is the one commodity that a weak Chinese/Asian economy should affect most. China buys 70% of all seaborne iron ore, as China/Asia hosts the world's steel industry. Financial speculators do not contaminate iron ore, because it has no real tradeable futures. As a consequence, the price hardly moved during the entire trade war, and has been hovering around USD 100 for quite some time now (production costs in the Pilbara and Minas Gerais/Para are below USD 20.) Consequently, the Chinese steel industry remains surprisingly resilient. Although we in the West regard

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China as a “very big” exporter/ competitor, the Western export market is just one of many from a Chinese point of view. Taking steel as an example, 60% of the steel produced in China remains within the Chinese borders, ending up in infrastructure, buildings, etc. Most of the exported steel products don’t end up in the West, but in the huge (5 billion people) Asian market. From a commodity point of view, rubber and plastics are two commodities whose highest share ends up in US supermarkets as manufactured products.

We have elaborated on the severe shortage of mining concentrate for more than a year. The problem has intensified, and Asian smelters have had to accept zero treatment charges. The processing/smelting/refining industry is in severe problems as there is overcapacity and not enough concentrate to process. The industry will see drastic restructuring, downsizing, consolidation, and foreclosures. The capacity had been increased in anticipation of a rising demand for refined metal, and, although this part of the equation played out correctly, it simply does not work if there is not enough raw material to process. We have been explaining this issue for a long time, and finally the great awakening has arrived. The metal inventory has been depleted, economies/demand are being stimulated, but the refined metal output will decline. The problem is a structural one.

Copper prices are breaking out of a 20-year consolidation period. The world will therefore see much higher prices. Other metals’ situations are comparable, albeit not as extreme.

Antofagasta offers Chinese smelters negative processing fees as talks start

Bloomberg News | May 28, 2025 | 9:40 am Top Companies China Latin America Copper

Copper smelter. (Stock Image)

Chilean copper miner Antofagasta Plc has proposed negative treatment charges for sales to Chinese smelters amid a global squeeze on supplies of ore, according to people familiar with the negotiation.

According to our observation, energy markets usually lag metals. Oil prices are clearly too low. For example, since drilling in the US is falling, production will follow. The outcome will be no different than it is for copper, meaning availability will decline with the obvious consequences.

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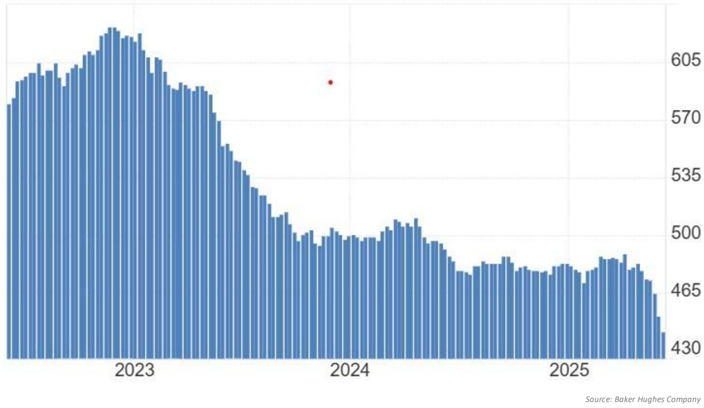
Who is a driller, sleep creepy Joe or the Donald?

US Oil Rigs



3 July 2025 LTIF Long Term Investment Fund 5

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July 2025

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