



Value and Natural Resources Back on Track

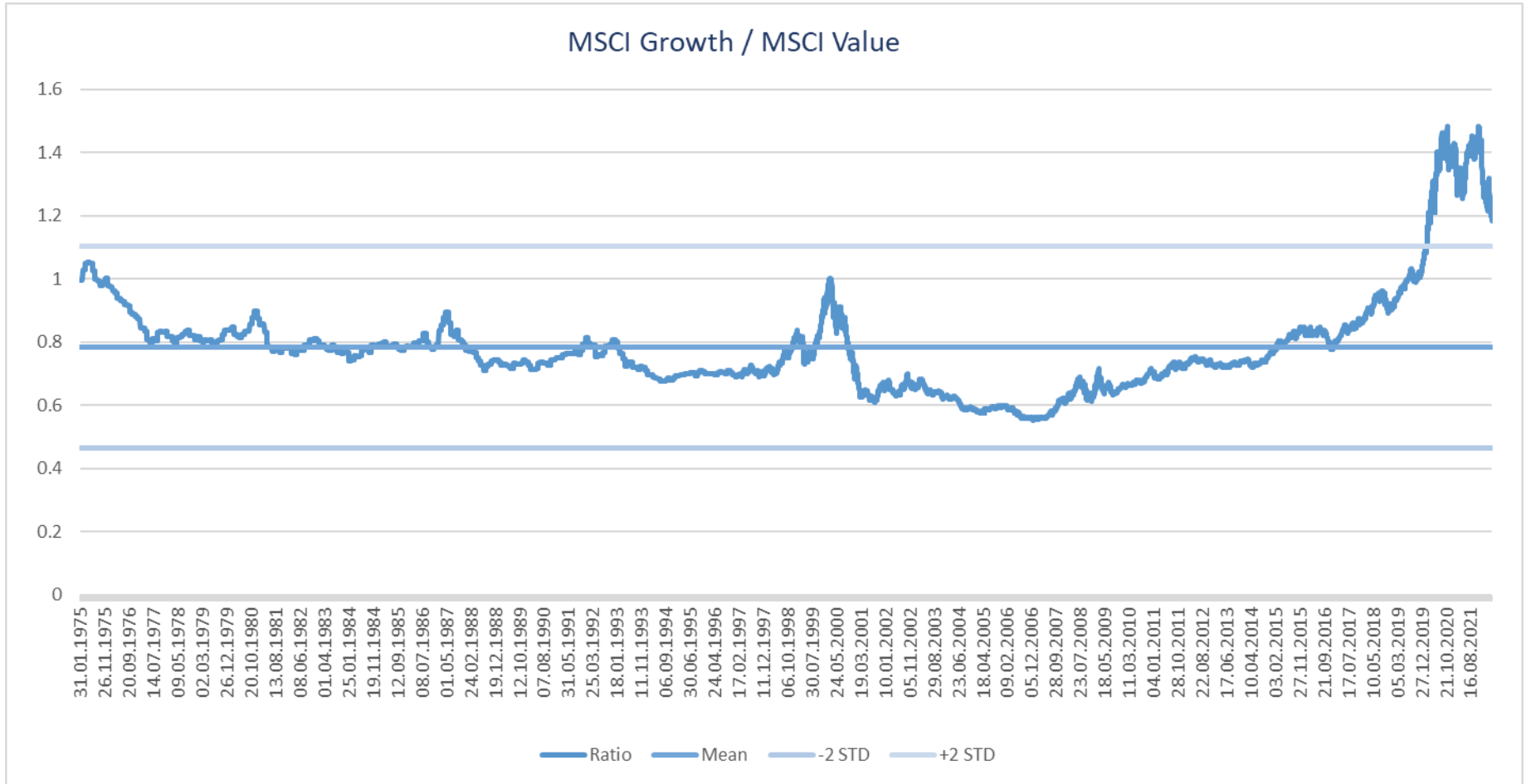
May 2022

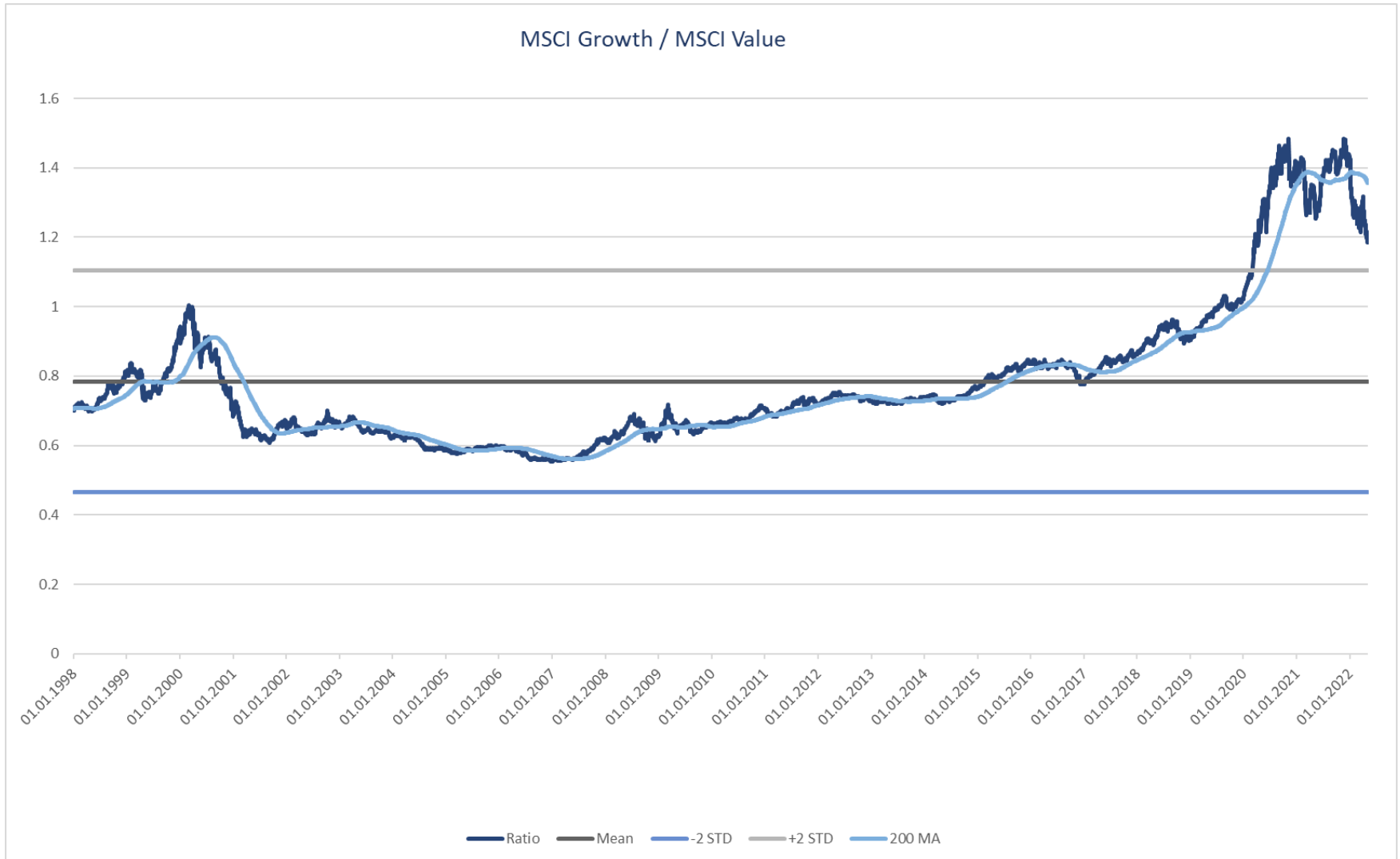


- **The case for Value and Natural Resources**
- Think and act like an owner
- What is a good company
- Portfolio construction, expected returns and owner's reporting
- Macro
- The case for oil
- Our philosophy to invest in Natural Resources

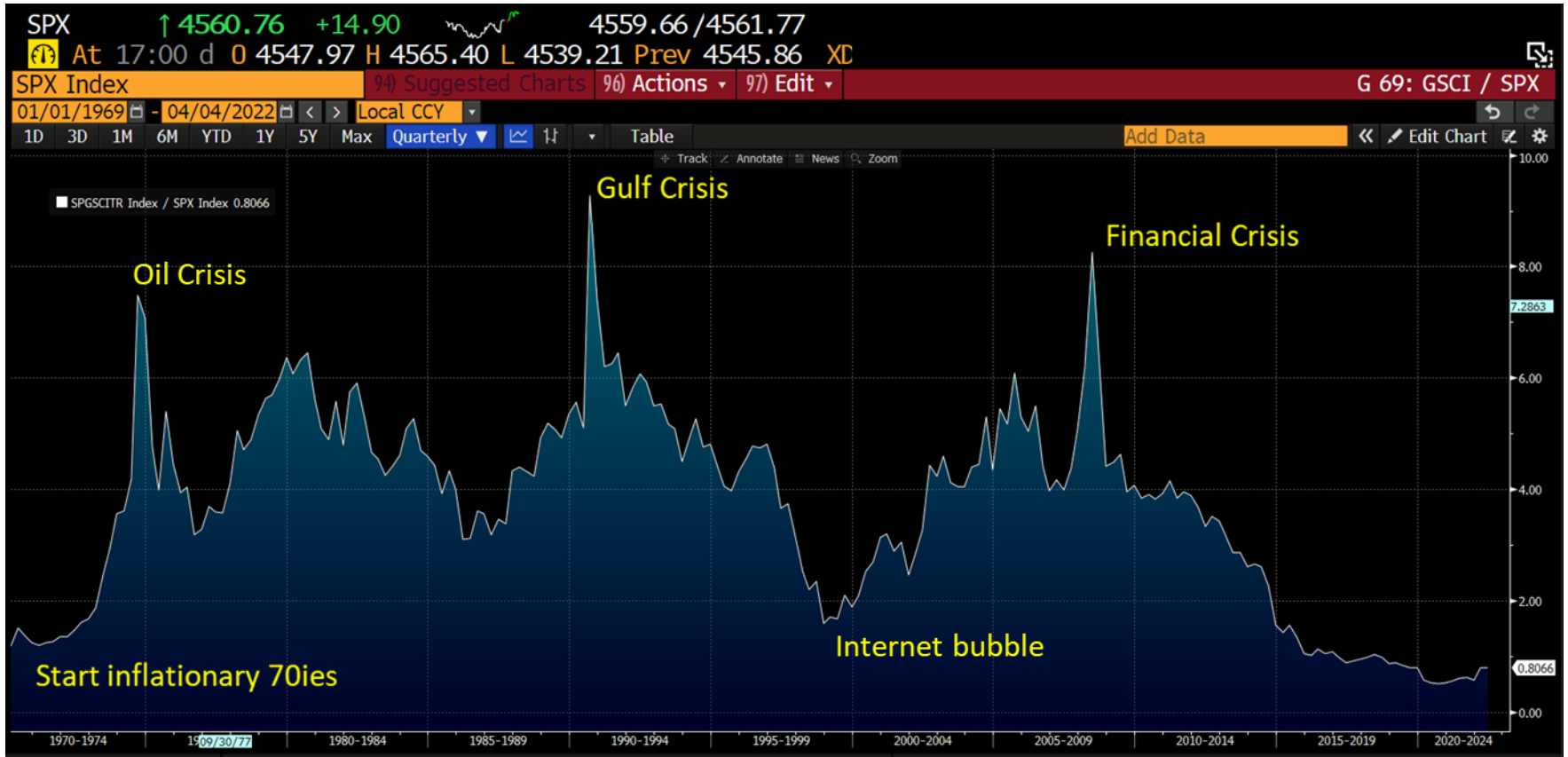
Key message: if approached as a business owner, equities can be a high return, low risk investment.



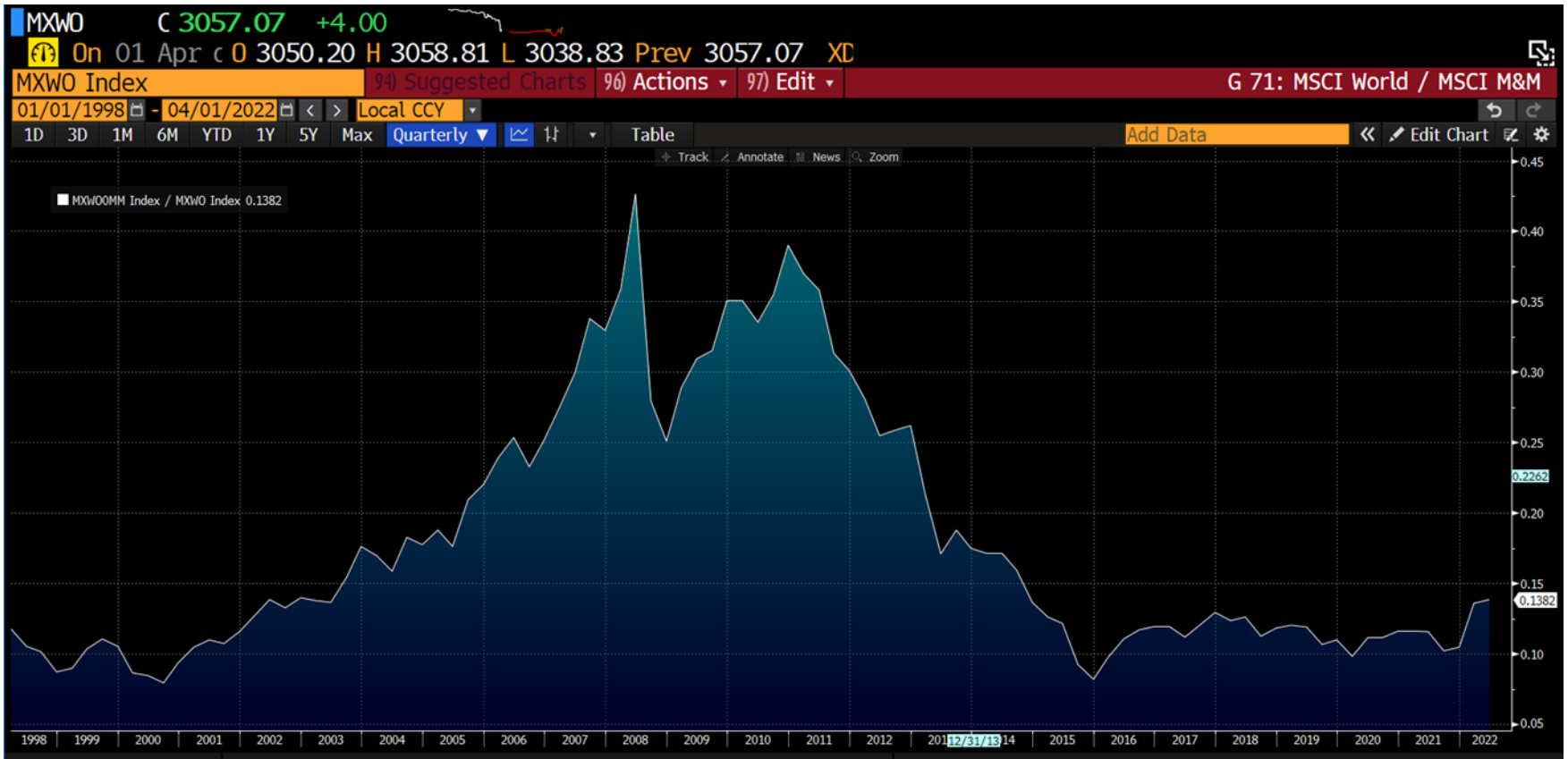




GSCI/S&P500 Ratio: As cheap as it can get?



MSCI World / MSCI Mining, long trends are turning....



MSCI Energy /MSCI World, long trends are turning....



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So basically, **we buy good companies at inexpensive prices or extremely cheap companies.** Bad businesses are usually toxic at almost any price.

- We don't look for "shares that will go up"
- We neither "play the markets" nor look for "catalysts" or in any way put our investors' money in the hands of future price movements
- We never "chase" the markets. We use markets' prices as opportunities to buy or sell. We never act on a view on what the markets will do, because we don't know

WE BUY BUSINESSES, NOT SHARES

We force ourselves to think as owners

*"It happens, however, that the energies and skill of the professional investor and speculator are mainly occupied otherwise. **For most of these persons are, in fact, largely concerned, not with making superior long-term forecasts of the probable yield of an investment over its whole life, but with foreseeing changes in the conventional basis of valuation a short time ahead of the general public.***

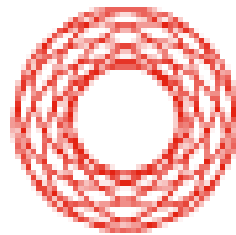
They are concerned, not with what an investment is really worth to a man who buys it for "keeps", but with what the market will value it at, under the influence of mass psychology, three months or a year hence."

JM Keynes, The general theory of employment, interest, and money, 1936

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- A “good company” for us is one that delivers a return on equity well above its cost of capital, adjusted by risk, over the cycle
- This only happens when companies’ profits are protected by barriers to entry, i.e., ***when supply has structural difficulties to follow demand:***
 - Economies of scale
 - Privileged access to raw materials or clients
 - Proprietary products or processes
 - Reputation effects
 - Long lead times to add capacity
- In the end, companies earn returns above their cost of capital only if they are somehow protected from full competition
- To determine if that will be the case, a thorough understanding of the competitive dynamics of the sector is necessary
- **This is essential to avoid value traps: for instance, European banks, utilities, & telecom in the last few years...**



DEVRO



Why is Devro a good company?

- ✓ **Leading** position in a **niche market**
- ✓ **Oligopolistic** structure and a disciplined leader (Viscofan)
- ✓ Economies of scale in production (and commercial) leading to a **cost advantage**
- ✓ Small ticket per unit & “helps” the client yield leading to **high switching costs** and ricing power
- ✓ Production know-how. **Intellectual Property entry barrier**



Why is Devro a good investment?

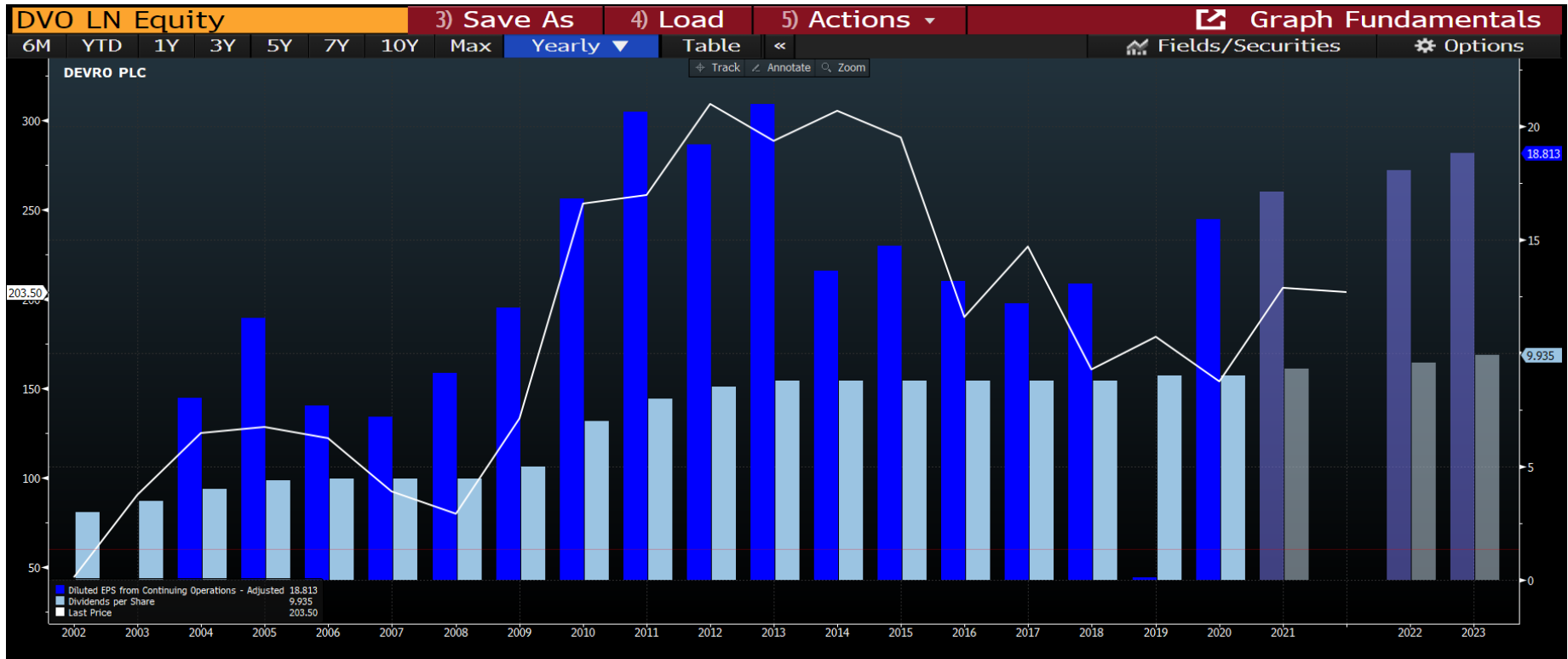
- **Growth:** can grow sales 4-5% p.a.
- **Margins:** The company has high margins (EBITDA 25%-26%) and they are sustainable
- **Historical median ROIC (25Y) is 13%** and our model suggests that convergence ROIC is 14-15%
- **Balance Sheet looks good:** no concern on liquidity or maturities as net debt is GBP 125mn, which compares with an EBITDA of around 60-65m GBP (2x vs. 1.5x target) and 5.5x interest coverage

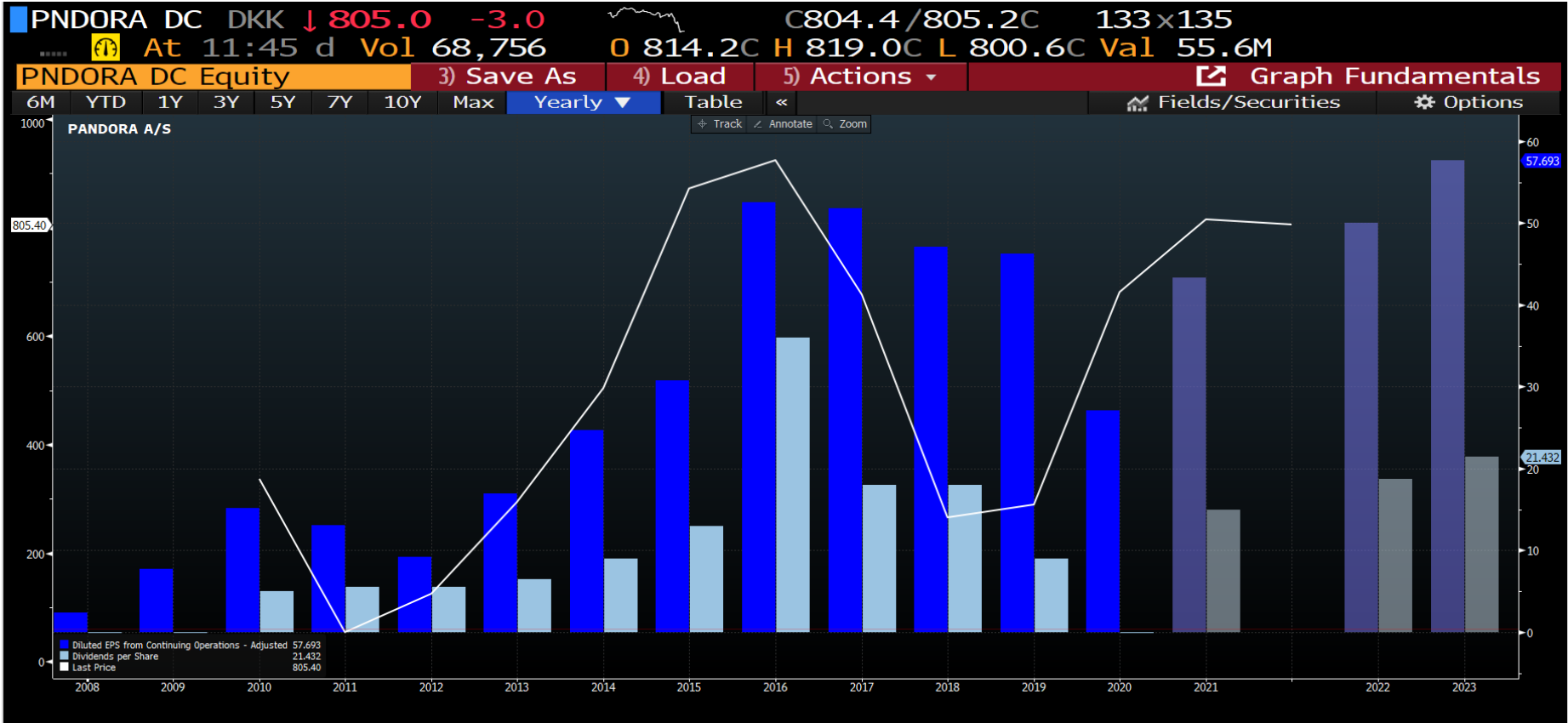


Why is Devro a good investment?

- **PER 2022E: 11x (historical median 15x 25y) EV/EBITDA**
22 around 6.7x, 4.7% dividend yield.
- Converged Free Cash Flow of c. GBP 30mn for 2022 i.e.
10% Free Cash Flow Yield
- **We do a 360° valuation:** apply median PE, EV/EBITDA,
DCF at 10% discount, EV/IC and P/Book and we obtain
an IV of 250p p.s., with an IRR of 11-12%
- **Why is it cheap?** Managerial mistakes before 2016,
small, illiquid, few analysts
- **Viscofan?**







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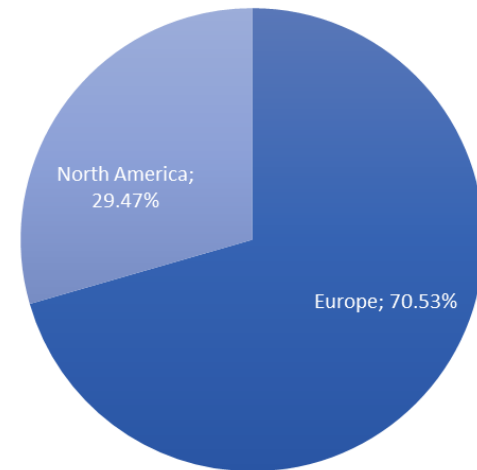
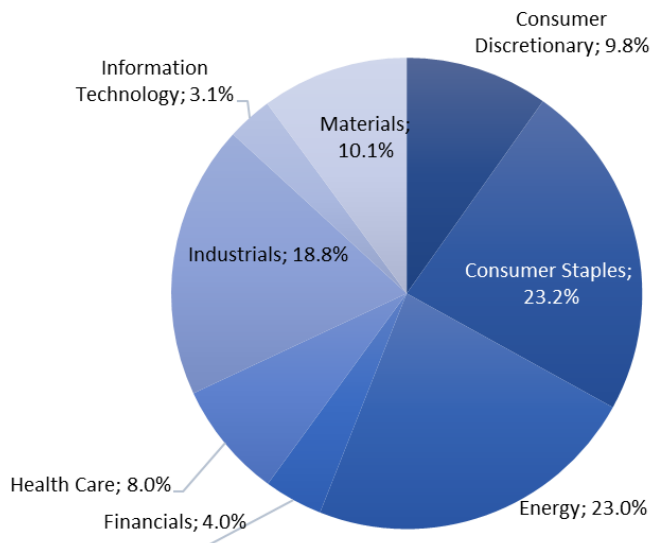
Key message: if approached as a business owner, equities can be a high return, low risk investment.

We expect double digit returns for the future

Table with category 1, 2, 3, 4, with their expected returns, as well as the total of the portfolio of the LTIF Classic
(as of 31st March 2022)

Category	Equity	E(r)
1	16.0%	13.7%
2	38.5%	13.8%
3	40.1%	14.1%
4	5.5%	14.6%
Overall	100.0%	14.0%

Portfolio composition, by SIA sector classification & regions for the LTIF Classic (as of 31st March 2022)



Source: SIA Group / Bloomberg

Date: **31.03.2022**
 Funds: LTIF Classic (EUR, USD, CHF)
 Currency: EUR
 Total AuM: 84 Mio.
 Intrinsic value (SIA estimate) EUR 816

Category	Equity	E(r)
1	16.0%	13.7%
2	38.5%	13.8%
3	40.1%	14.1%
4	5.5%	14.6%
Overall	100.0%	14.0%

Positions (33)

Name	Bloomberg	Country	MSCI GICS Sector	Ccy	Cat	E(r)	Weight
Cenovus Energy Inc	CVE CT Equity	CA	Energy	CAD	3	13%	6.6%
Thales SA	HO FP Equity	FR	Industrials	EUR	3	12%	6.2%
Grifols SA	GRF/P SM Equity	ES	Health Care	EUR	2	24%	5.5%
Grieg Seafood ASA	GSF NO Equity	NO	Consumer Staples	NOK	2	11%	5.1%
Suncor Energy Inc	SU CT Equity	CA	Energy	CAD	3	13%	4.5%
ISS A/S	ISS DC Equity	DK	Industrials	DKK	2	14%	4.3%
HeidelbergCement AG	HEI GY Equity	DE	Materials	EUR	3	19%	4.1%
Harbour Energy PLC	HBR LN Equity	GB	Energy	GBP	4	15%	4.1%
Compass Group PLC	CPG LN Equity	GB	Consumer Discretionary	GBP	2	12%	4.1%
Sodexo SA (CFD)	SW FP Equity	FR	Consumer Discretionary	EUR	2	14%	4.1%

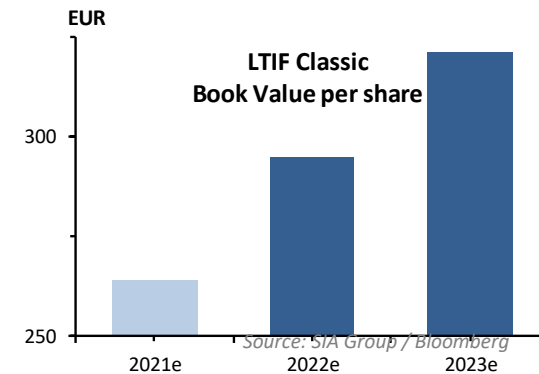
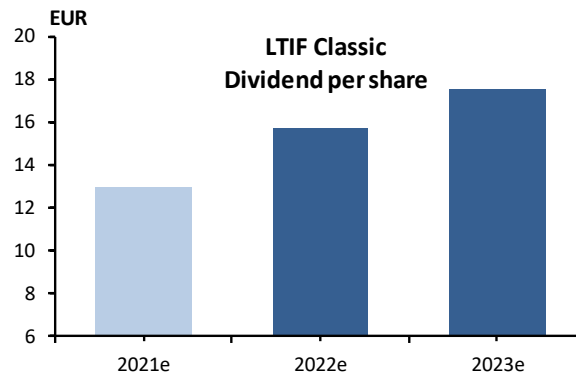
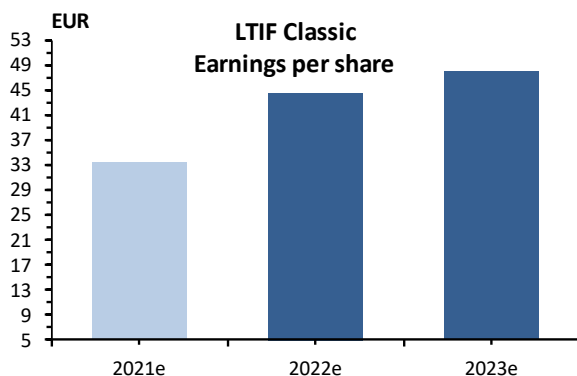
Reporting LTIF Classic as of 31.12.2021 (aggregated data in EUR)

Date	NAV	%
31.12.2020	407.9	
31.12.2021	494.3	21.2%

Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2021e	33.5		14.8	6.8%	22.8	4.4%
2022e	44.5	33%	11.1	9.0%	17.7	5.6%
2023e	48.0	8%	10.3	9.7%	16.3	6.1%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2021e	13.0		2.6%	1.7%
2022e	15.7	21%	3.2%	2.0%
2023e	17.6	12%	3.6%	2.0%

Year	BPS	%	P/B	MSCI World P/B
2021e	264.1		1.9	3.2
2022e	294.6	12%	1.7	2.8
2023e	321.1	9%	1.5	2.6

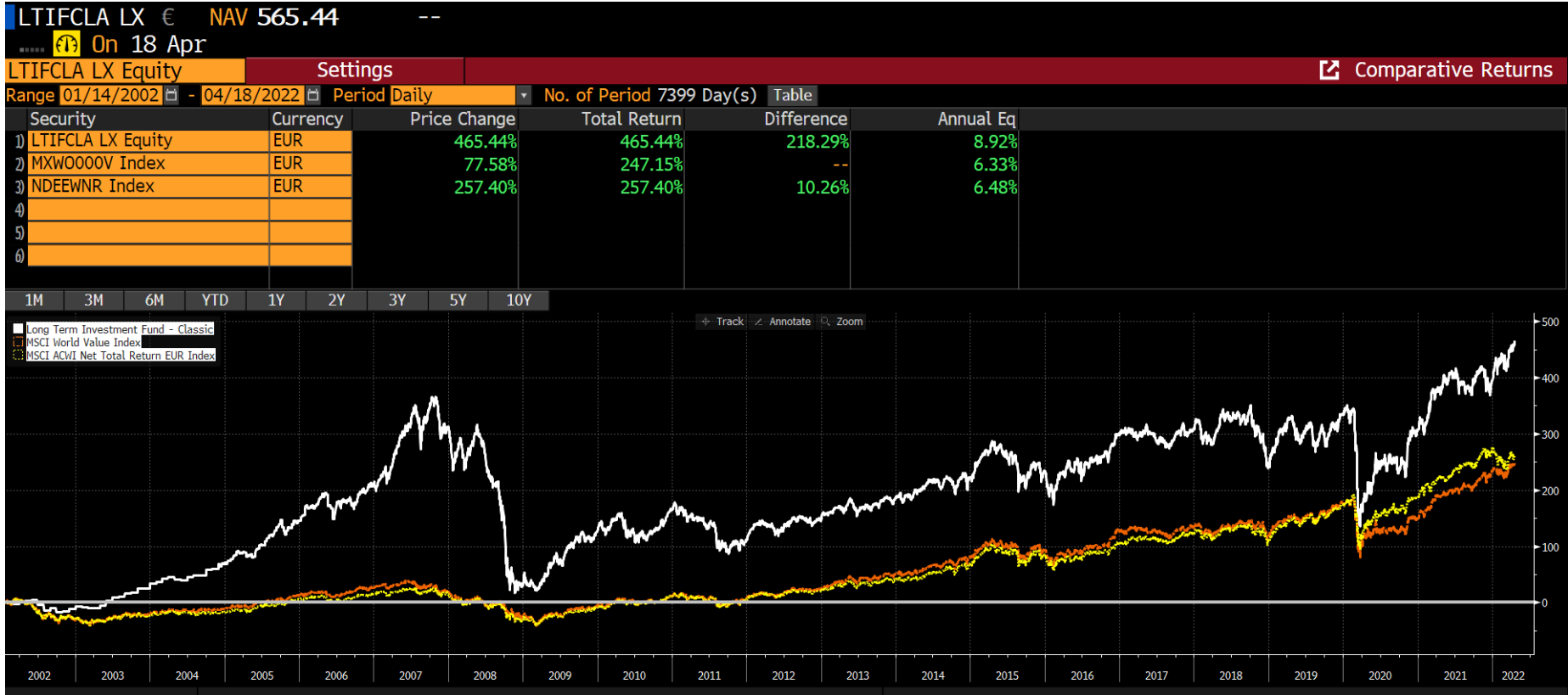


LTIF Classic vs. Value Peers



Source: SIA Group / Bloomberg





- Target of double digit returns
- Extremely low fundamental risk: “don’t lose money”
- Owner approach to investing: long-term, focus on profit growth and not share price movements
- Balanced portfolio across risk levels

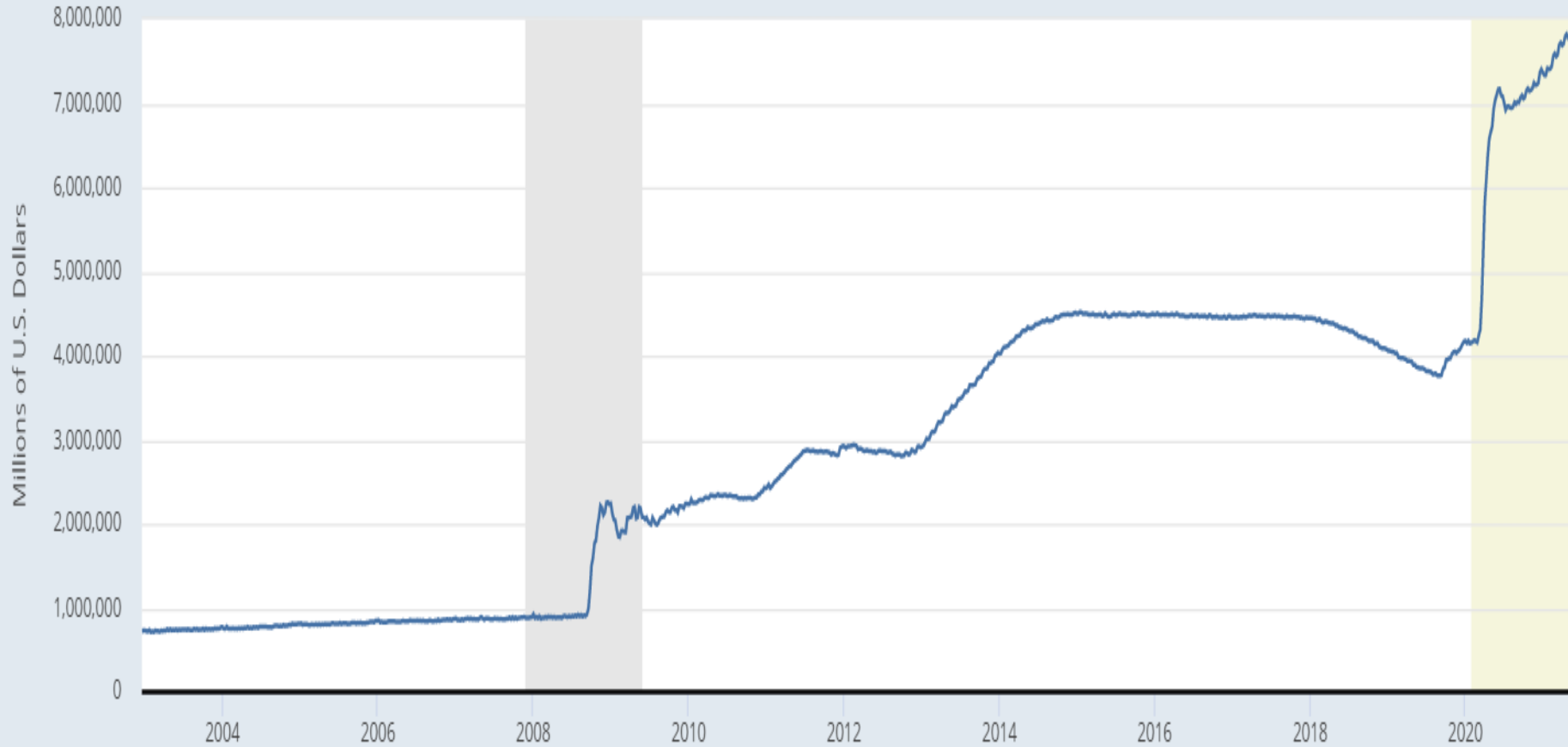
SIA adds value by taking a long-term approach, applying strategic analysis and discriminating opportunities from value traps

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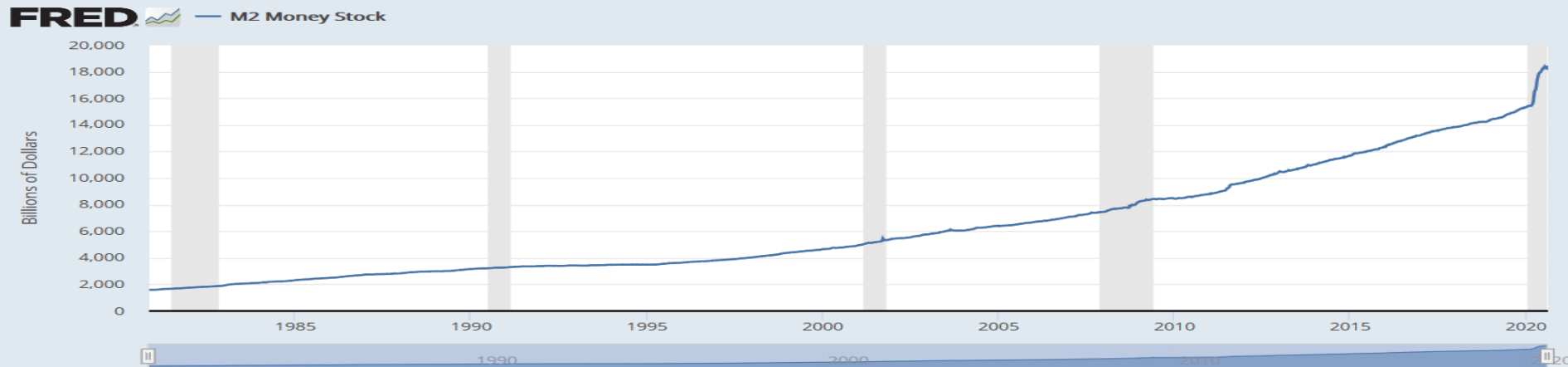
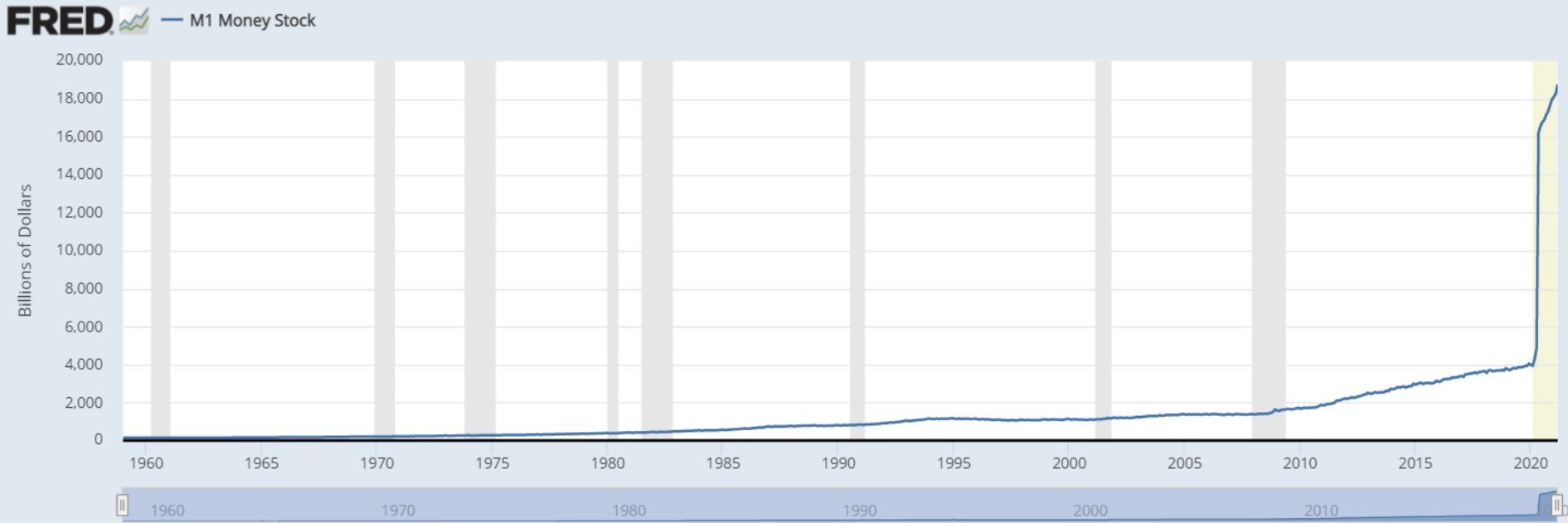
FED Balance sheet. It is not just about QE, but repo eligibility

FRED — Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level



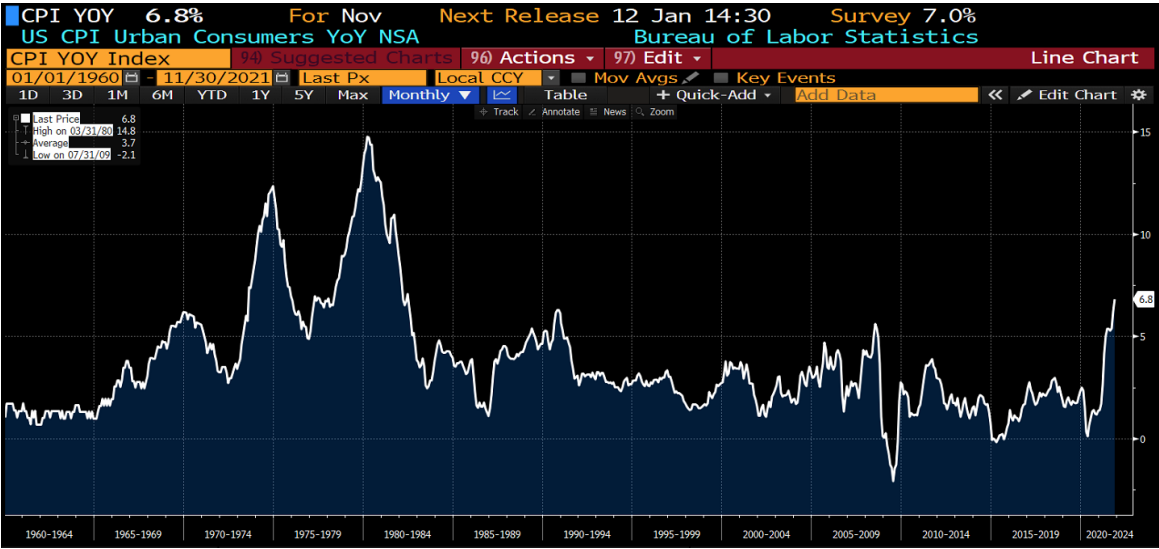
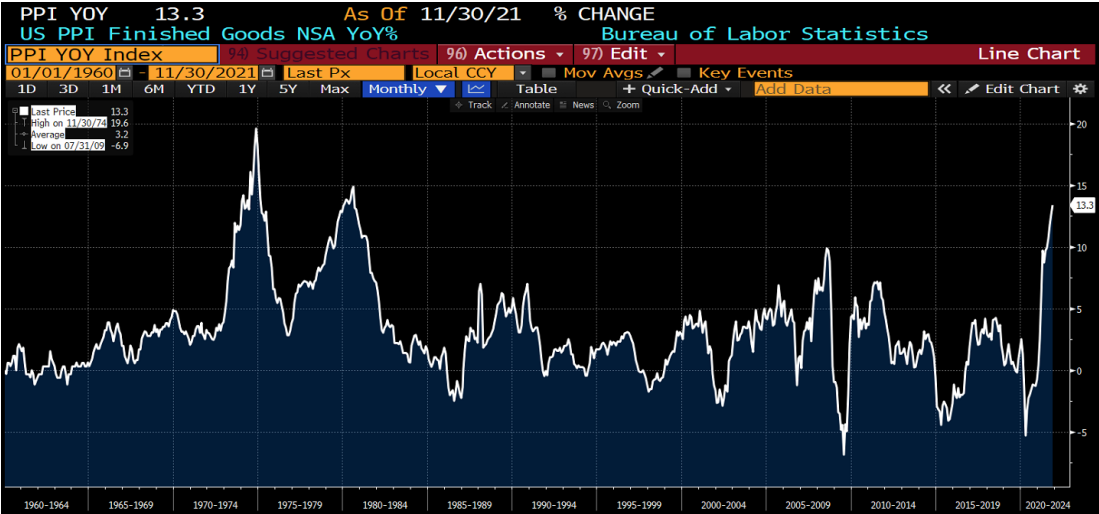
Source: <https://fred.stlouisfed.org/search?st=total+assets>

Bang zoom, you're going to the moon, Alice.



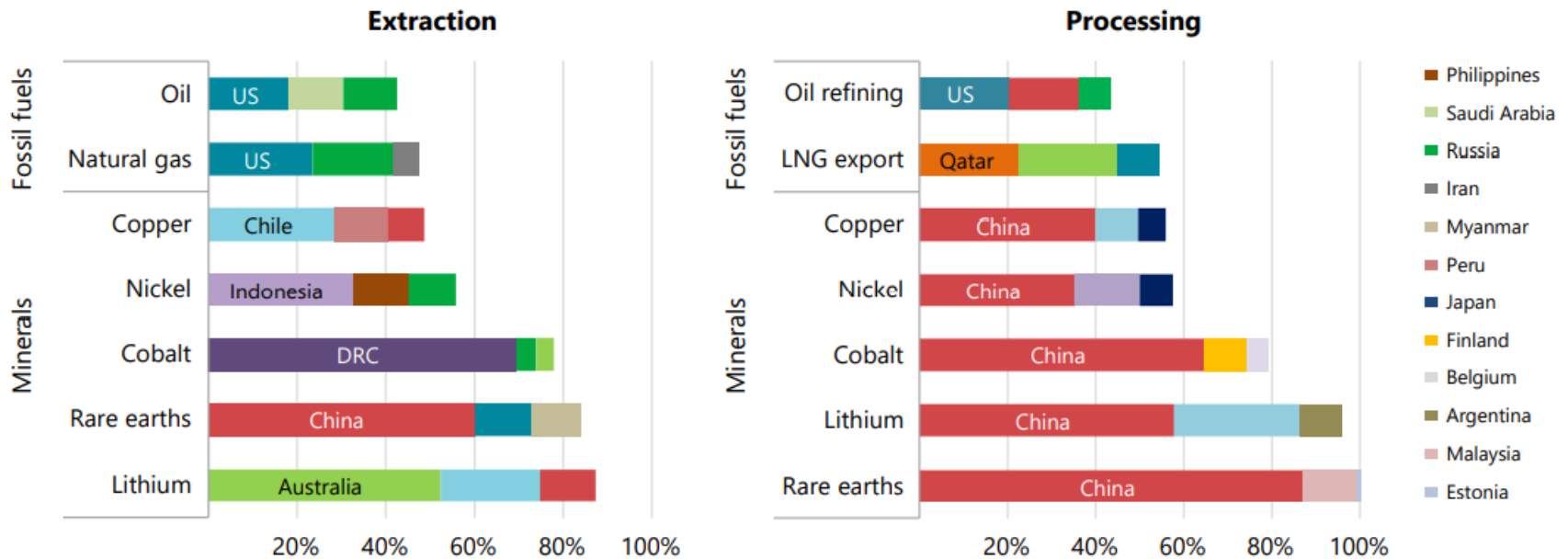
Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org











Many mineral supply chains lack diversity

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

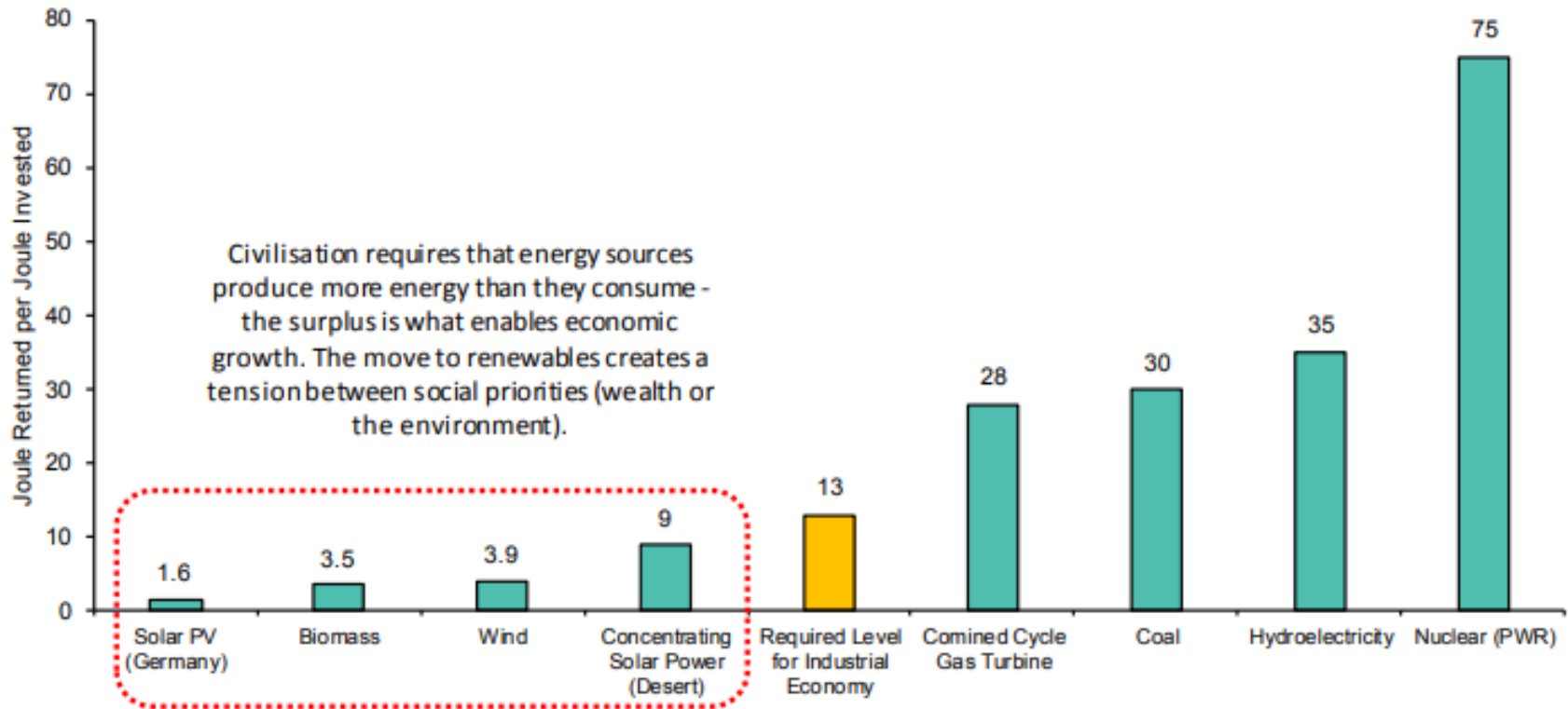


Production and processing of many minerals such as lithium, cobalt and some rare earth elements are geographically concentrated, with the top three producers accounting for more than 75% of supplies

All, all, all, everything, everything is about energy!

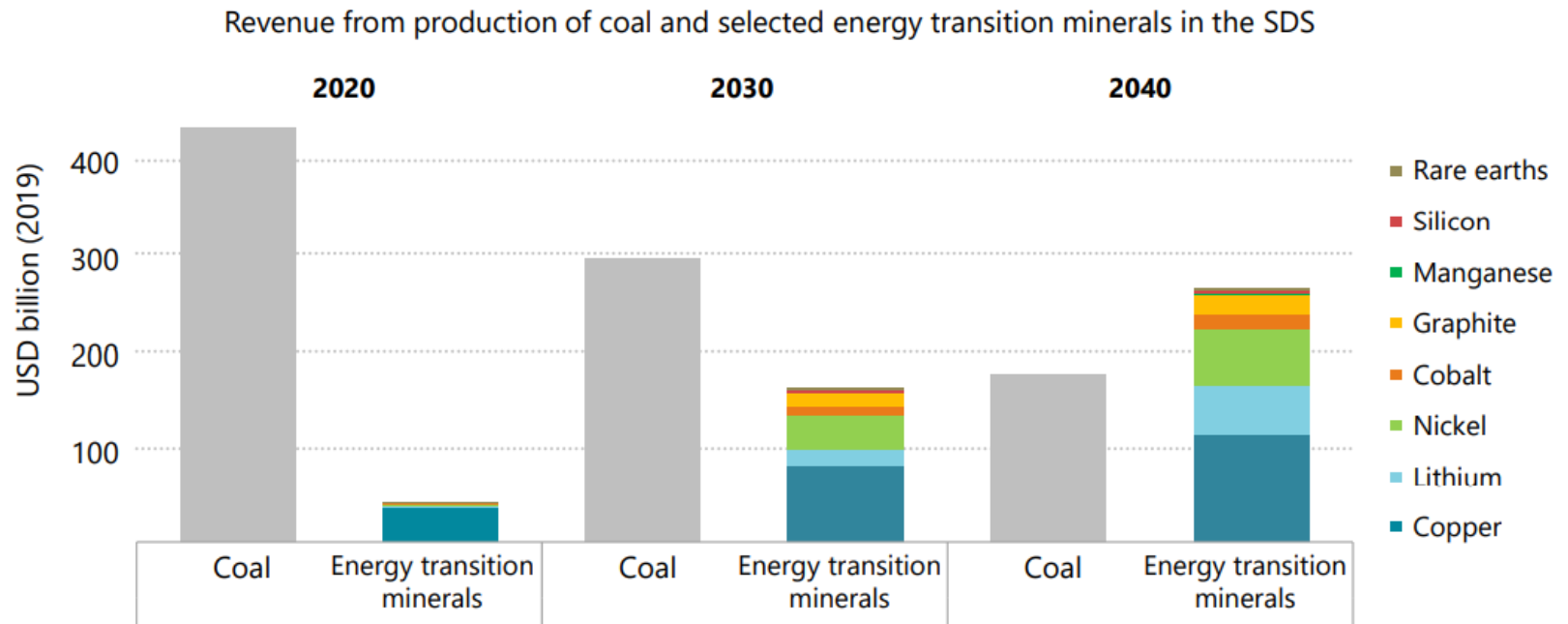
Country/Region	Electricity consumption (kW·h/yr)	Year of Data	Source	Population	As of	energy per capita (kWh per person per year)	power per capita (watts per person)
World	21,776,088,770,300	2014	CIA	7,322,811,468	2016	2,674	309
 China	6,310,000,000,000	2017	NEA ^[3]	1,403,500,365	2017	4,475	510
 United States	3,911,000,000,000	2015 EST.	CIA	323,995,528	2016	12,071	1,377
 India	1,547,000,000,000	2018	CSO ^[4]	1,352,642,280	2018	1,181	140
 Russia	1,065,000,000,000	2014 EST.	CIA	142,355,415	2016	7,481	854
 Japan	934,000,000,000	2014 EST.	CIA	126,702,133	2016	7,371	841
 Germany	533,000,000,000	2014 EST.	CIA	80,722,792	2016	6,602	753
 Canada	528,000,000,000	2014 EST.	CIA	35,362,905	2016	14,930	1,704
 Brazil	518,000,000,000	2014 EST.	CIA	205,823,665	2016	2,516	287
 Korea, South	495,000,000,000	2014 EST.	CIA	50,924,172	2016	9,720	1,109
 France	431,000,000,000	2014 EST.	CIA	66,836,154	2016	6,448	736
 United Kingdom	309,000,000,000	2014 EST.	CIA	64,430,428	2016	4,795	547

Buffered Energy Return on Investment by Source



Source: Bernstein

New reasons to go underground

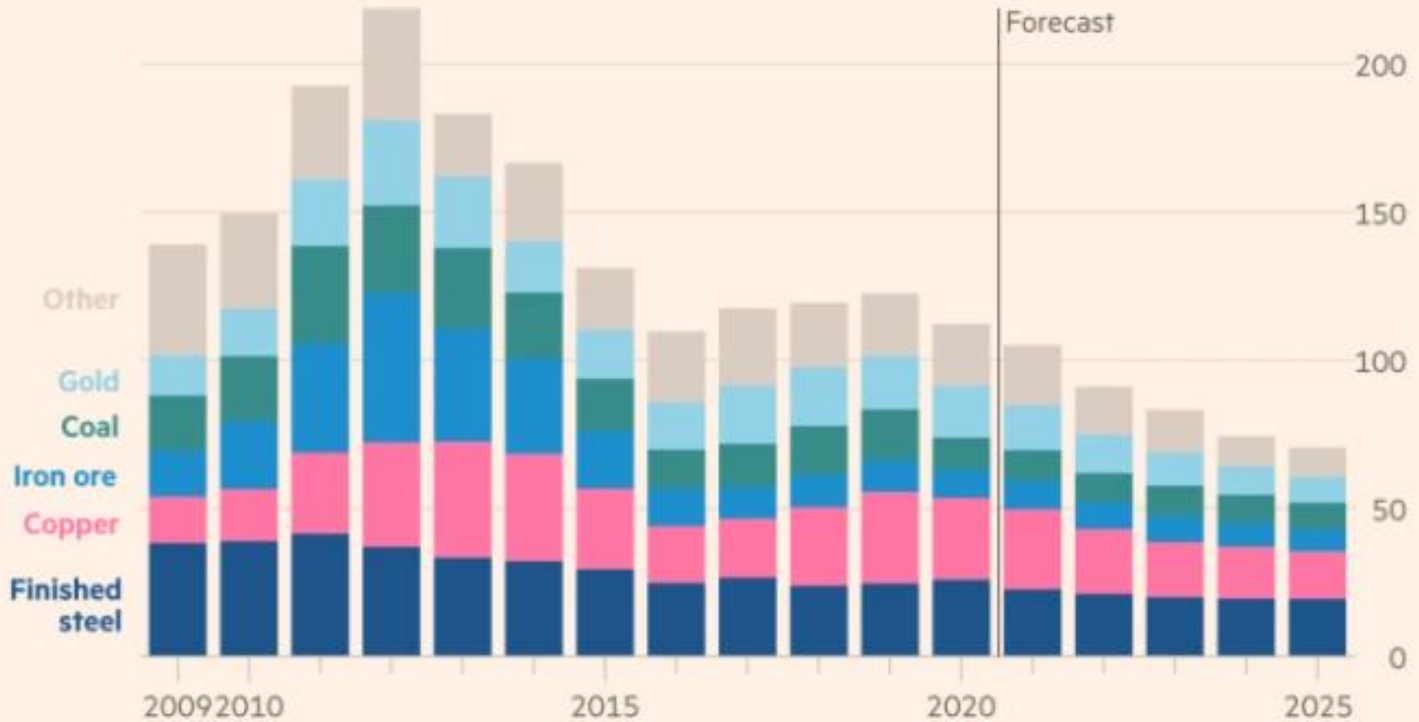


Today's revenue from coal production is ten times larger than from energy transition minerals. However, in climate-driven scenarios, these positions are reversed well before 2040

IEA 2021. All rights reserved.

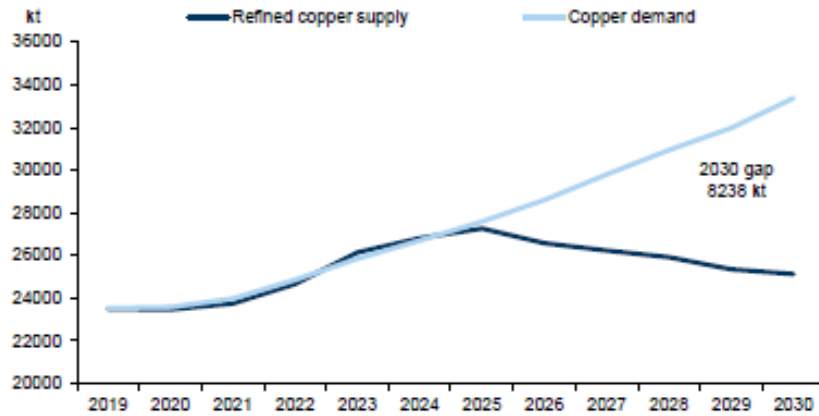
Capital expenditure on copper sector set to fall

\$bn, mined commodities



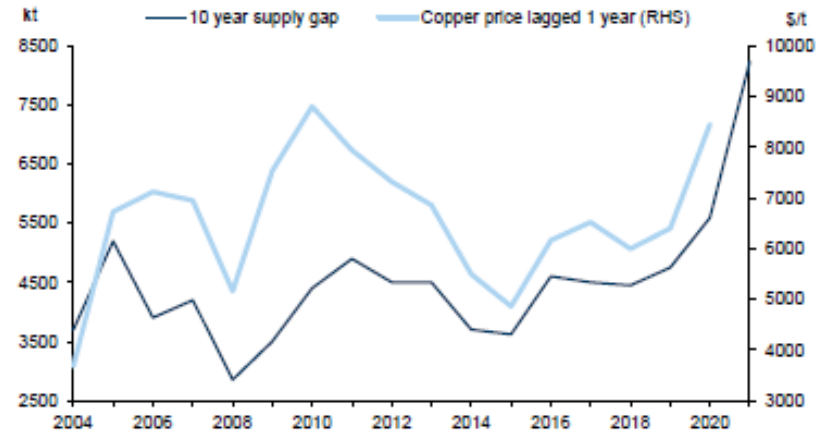
Source: Wood Mackenzie
© FT

Exhibit 32: Long-term supply gap now projected at over 8Mt by 2030
Refined copper supply and demand



Source: Woodmac, Goldman Sachs Global Investment Research

Exhibit 33: Record long-term supply gap implies significant further upside to copper prices
LT supply gap and copper price



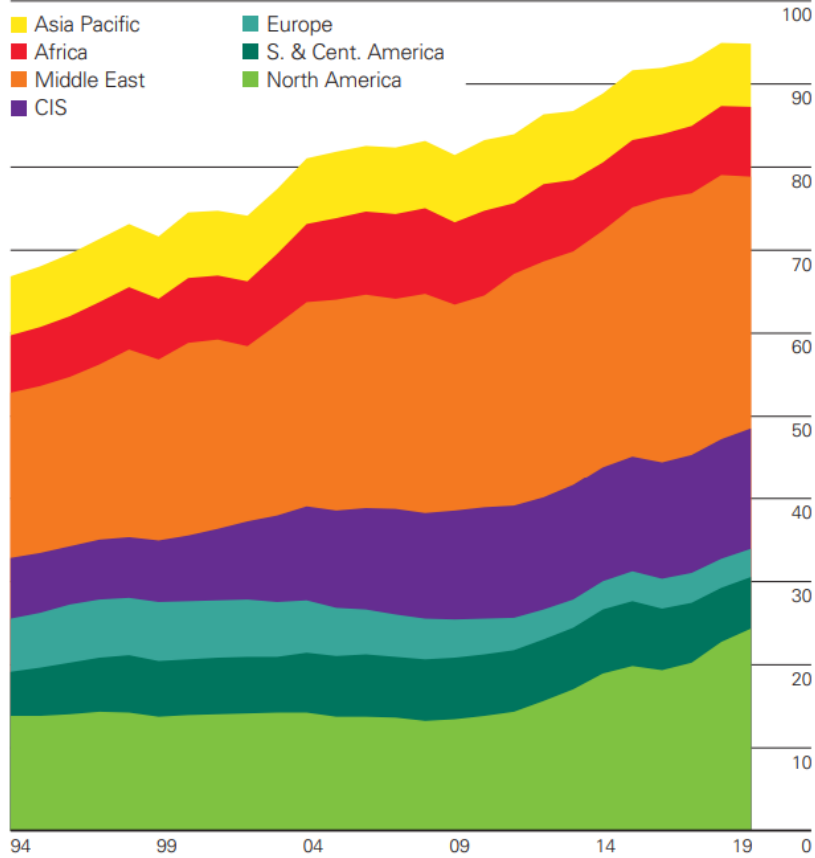
Source: Woodmac, Goldman Sachs Global Investment Research

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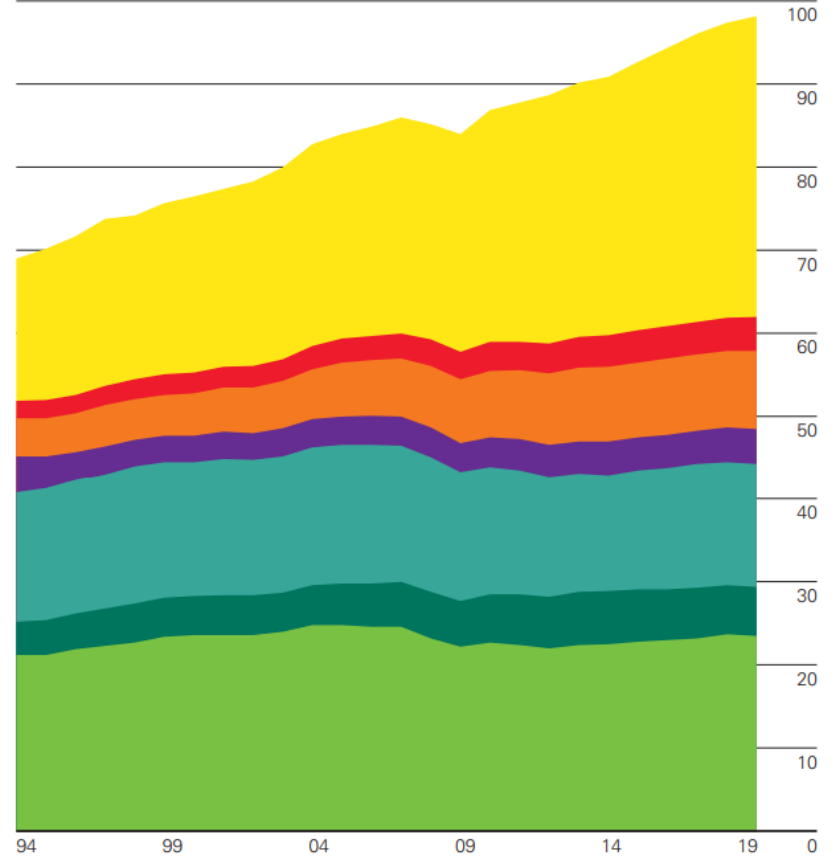
Oil: Production by region

Million barrels daily



Oil: Consumption by region

Million barrels daily

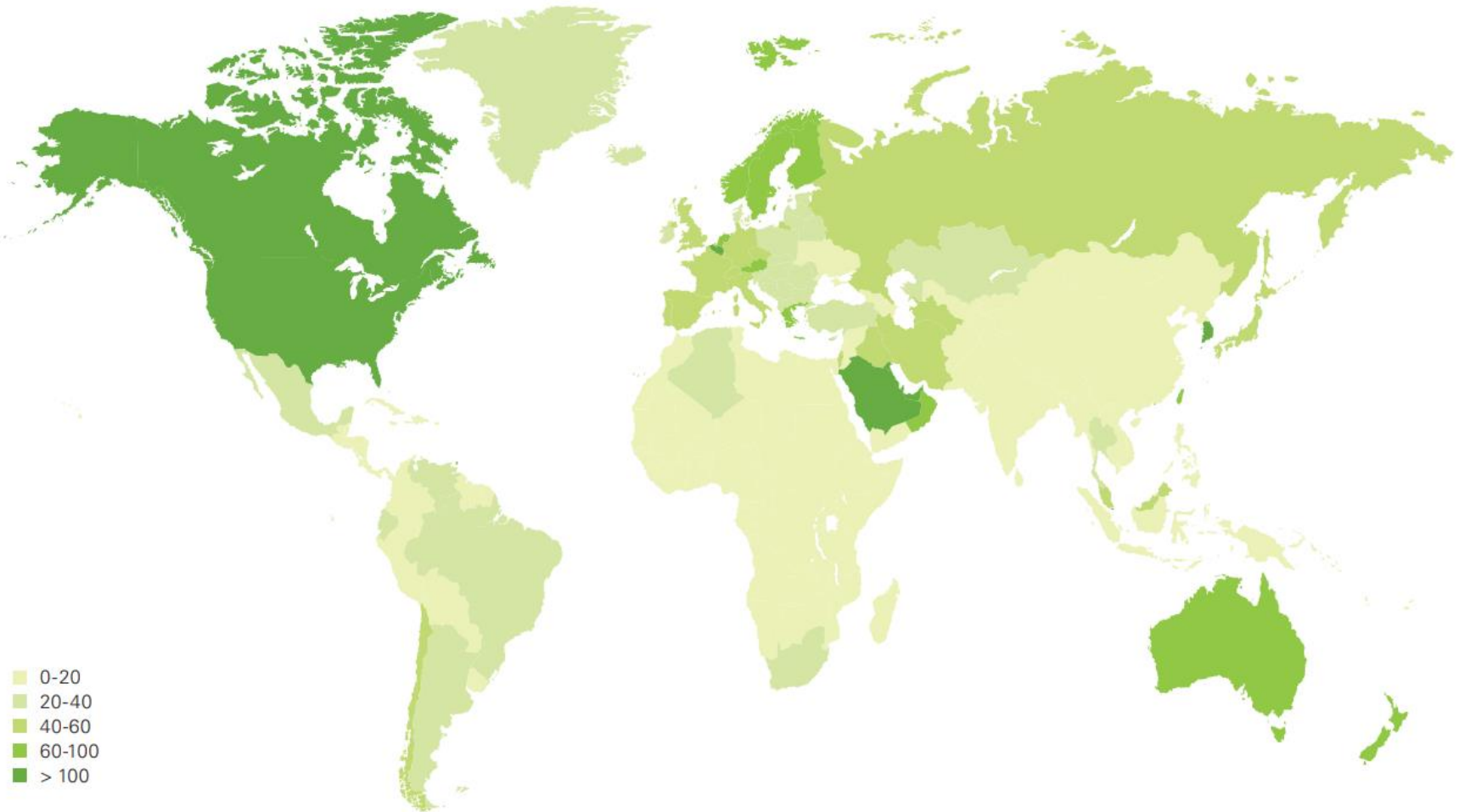


Source: Oil – BP Statistical Review of World Energy 2020

Oil demand is very different from region to region

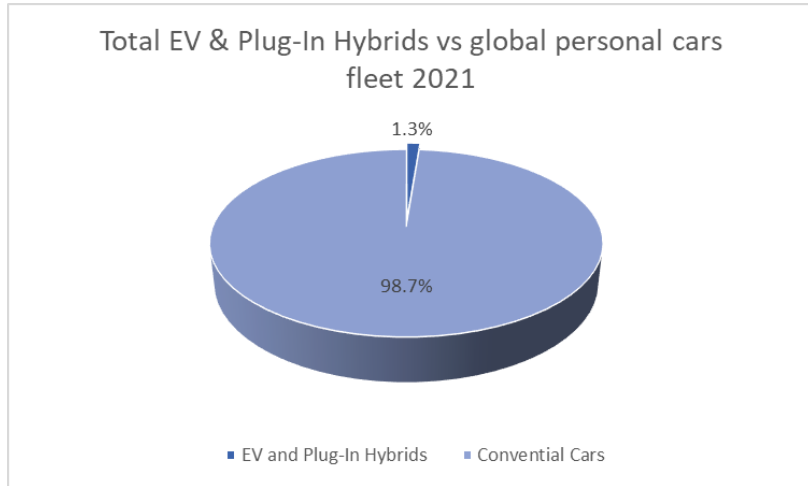
Oil: Consumption per capita 2019

GJ per capita



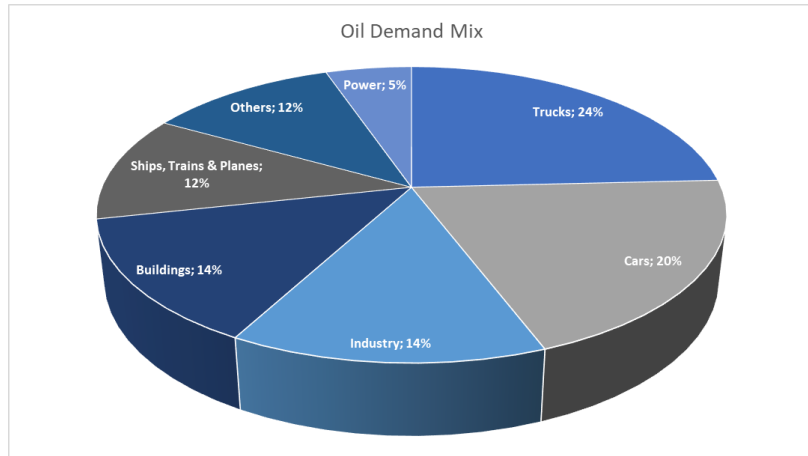
The gigajoule (GJ) is equal to one billion joules. 6 GJ is about the chemical energy of combusting 1 barrel (159 l) of petroleum

Source: Oil – BP Statistical Review of World Energy 2020



- Global Car fleet of EV & Plug-In Hybrid is expected to grow to 10% by 2030.
- Just this expansion of the car fleet would need 12 mT of copper.
- But this is going to be difficult with a supply gap of 8 mT of copper by 2030?

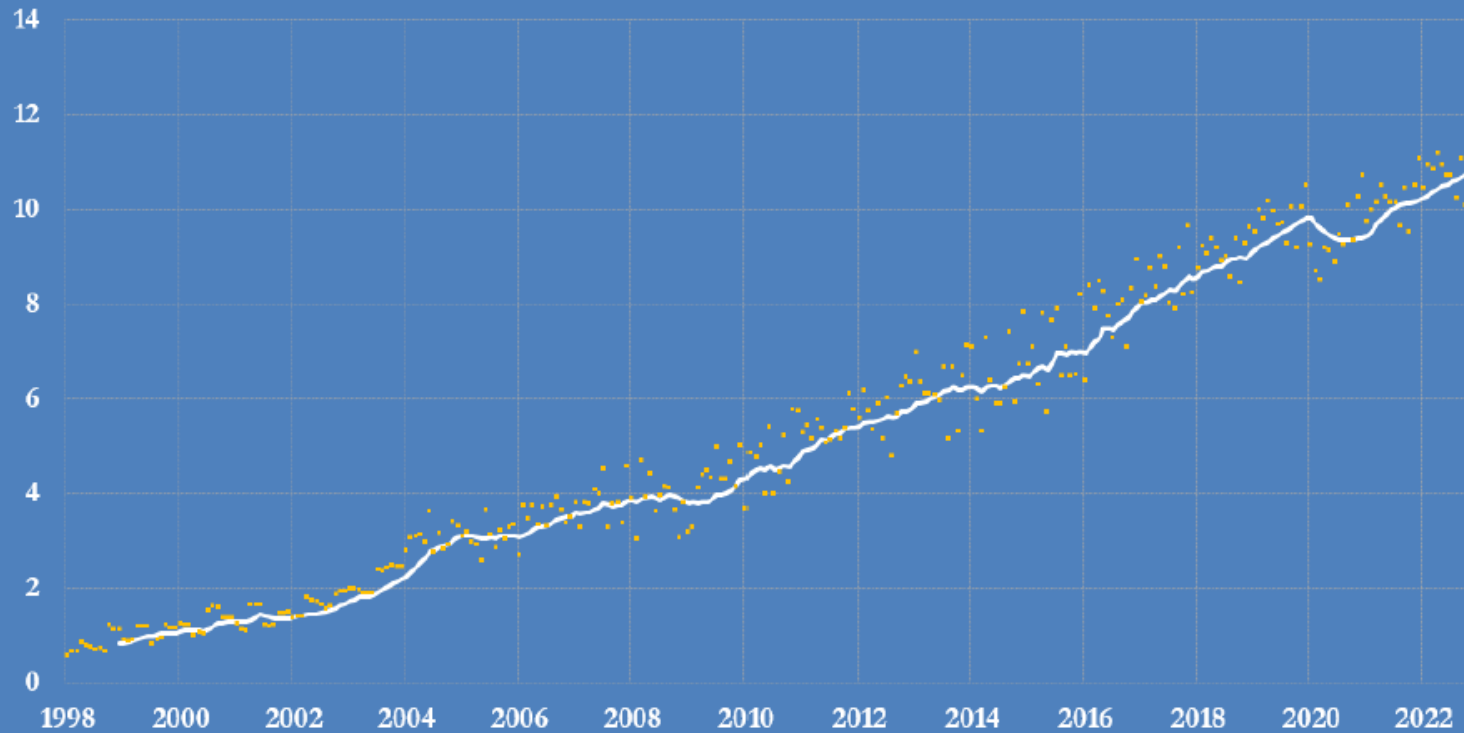
Source: SIA and EV-volumes.com



- Lets assume however, EV revolution would still be possible, that would have **only 2% impact to oil demand by 2030**. (Oil Demand from Cars 20% x 10% reduction).
- Assuming the old cars stop driving immediately when replaced by an EV etc.

Source: SIA and BP

China net petroleum imports, 1998-2020
crude and refined products, monthly million b/d
actual values through Dec 2020, forecast through Dec 2022

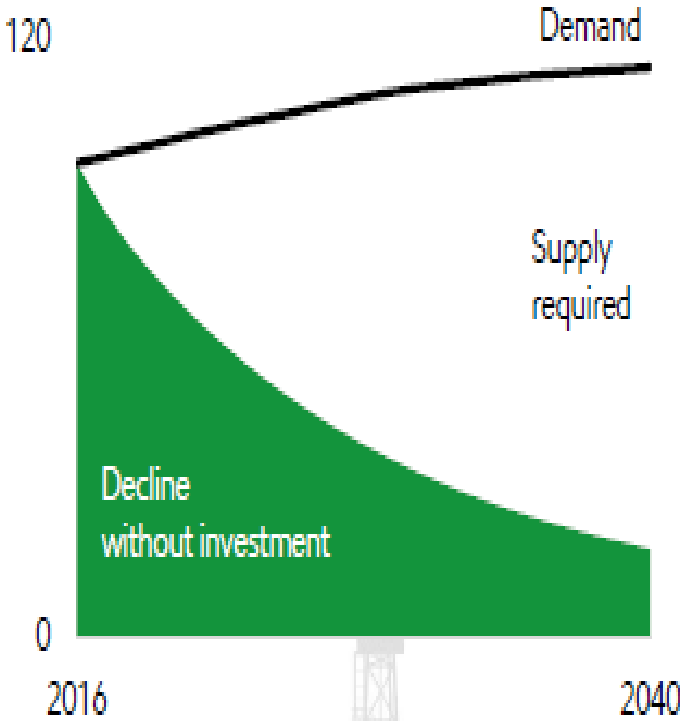


• Monthly net oil imports
— 12-month moving average

Source: U.S. Energy Information Administration
@JKempEnergy

Oil supply & demand

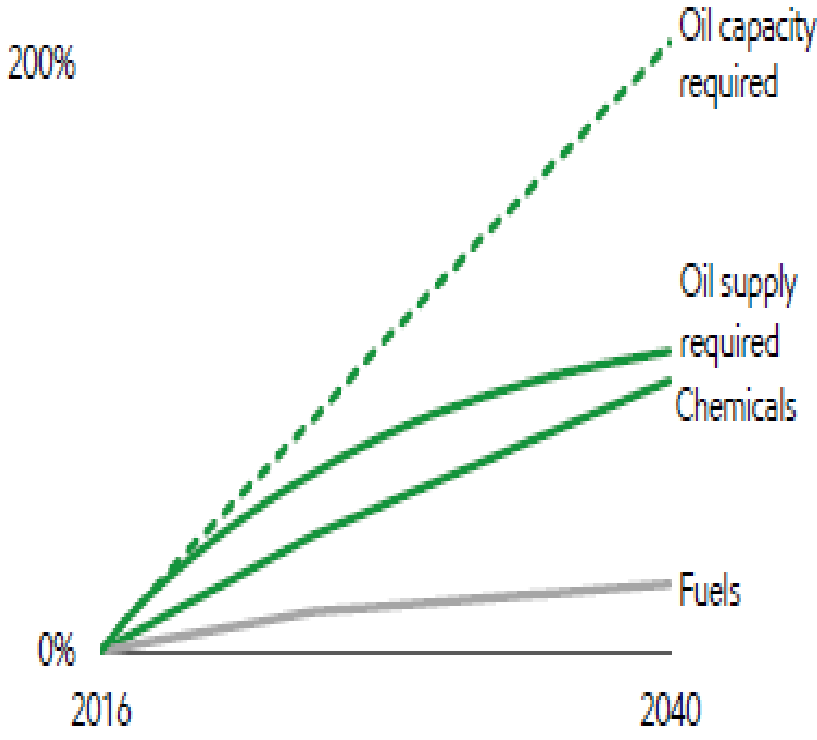
MOEBD



Source: 2018 Energy Outlook

New supply requirement

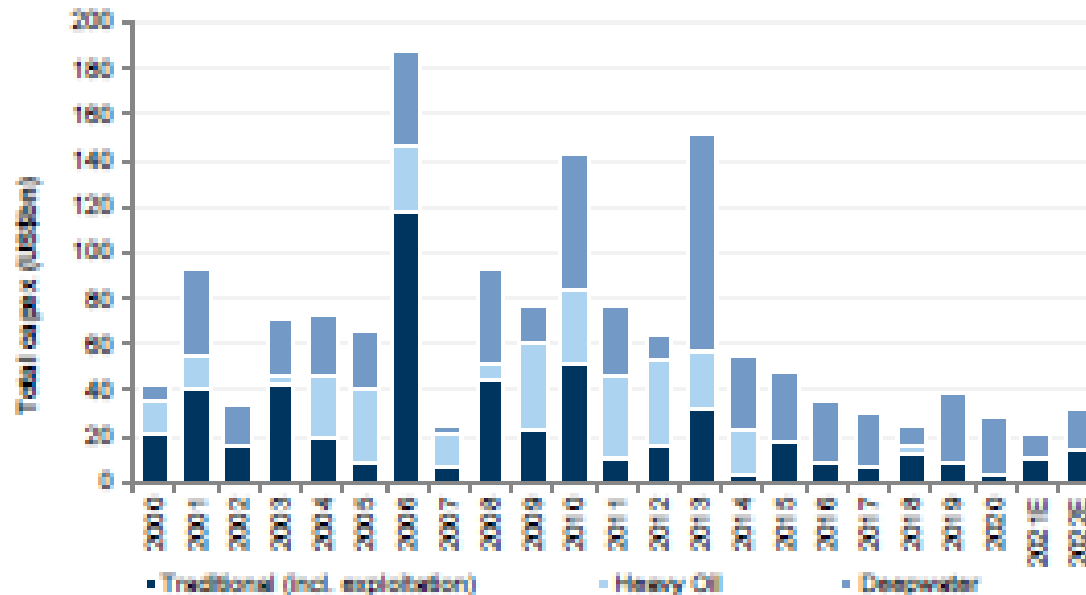
Indexed to 2016



Source: 2018 Energy Outlook

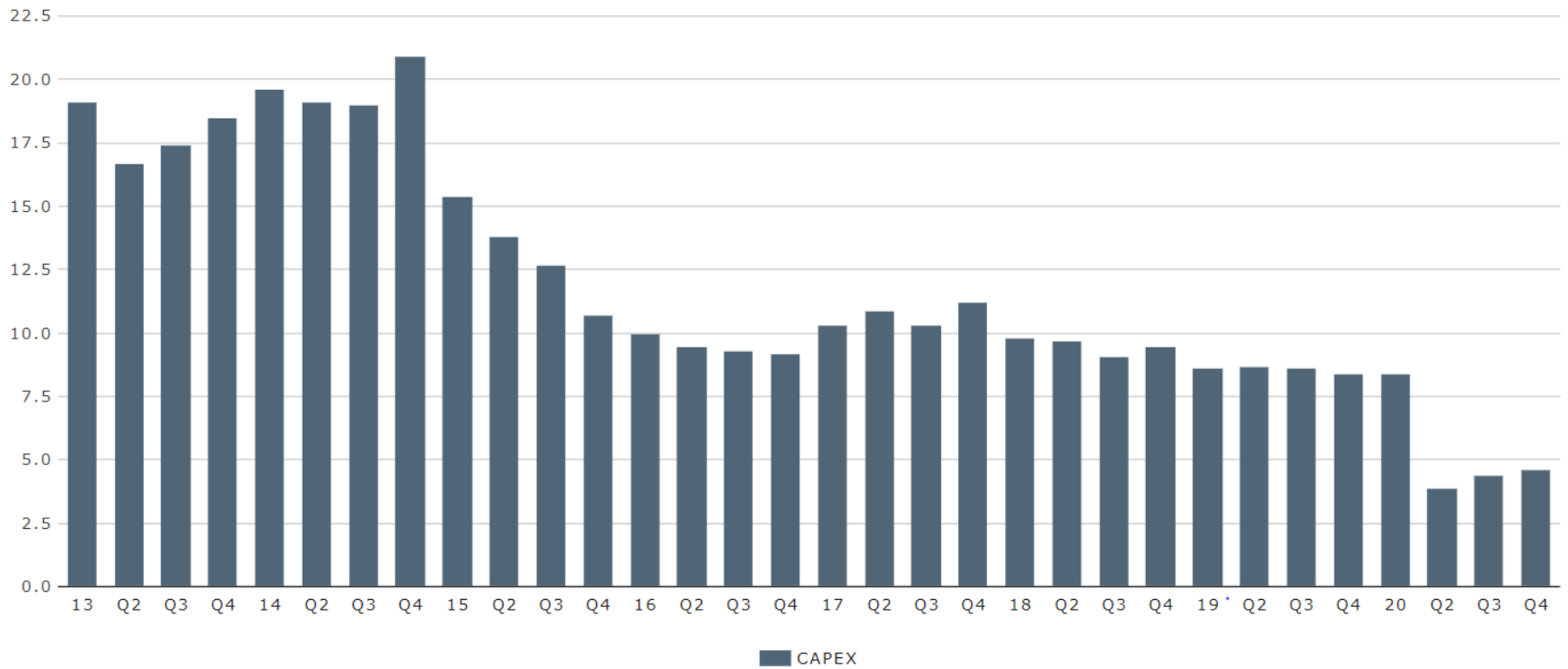
Exhibit 3: Capital commitment to new oil projects has reached a new trough...

Top Projects capex sanctioned in oil by year of sanction, split by winzone



Source: Goldman Sachs Global Investment Research

CANADIAN OIL AND GAS CAPITAL EXPENDITURES
billion CAD • data by StatsCan



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Exploration

Discovery

Decision to move into production

Announcement of financing, dilution, hedging

Spent \$ can be bought for Cents

Cashflow starts kicking in

Debt is being reduced

Dividends are being announced

Cost overrun

Permitting problems

Delays

Investors throw the towel

Bank hike debt costs

Production fades

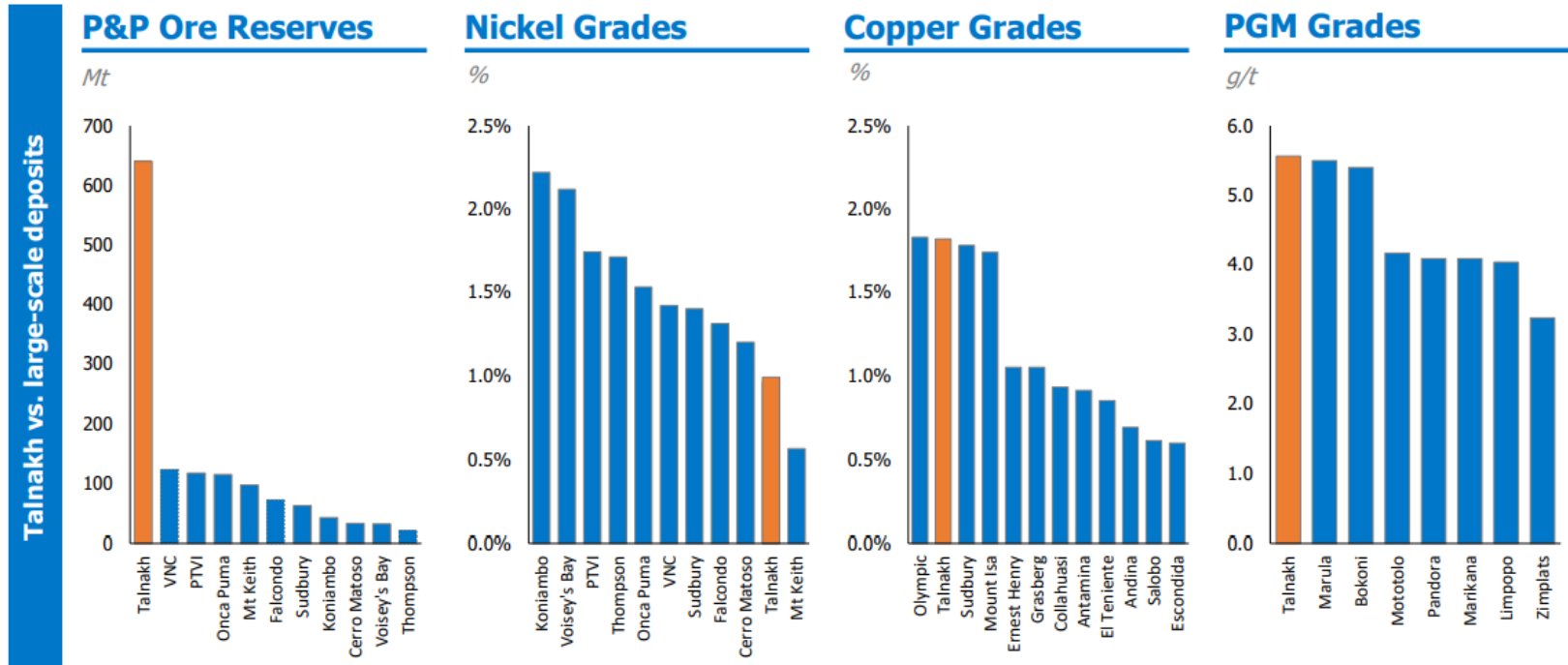
Expansion is needed

Going underground

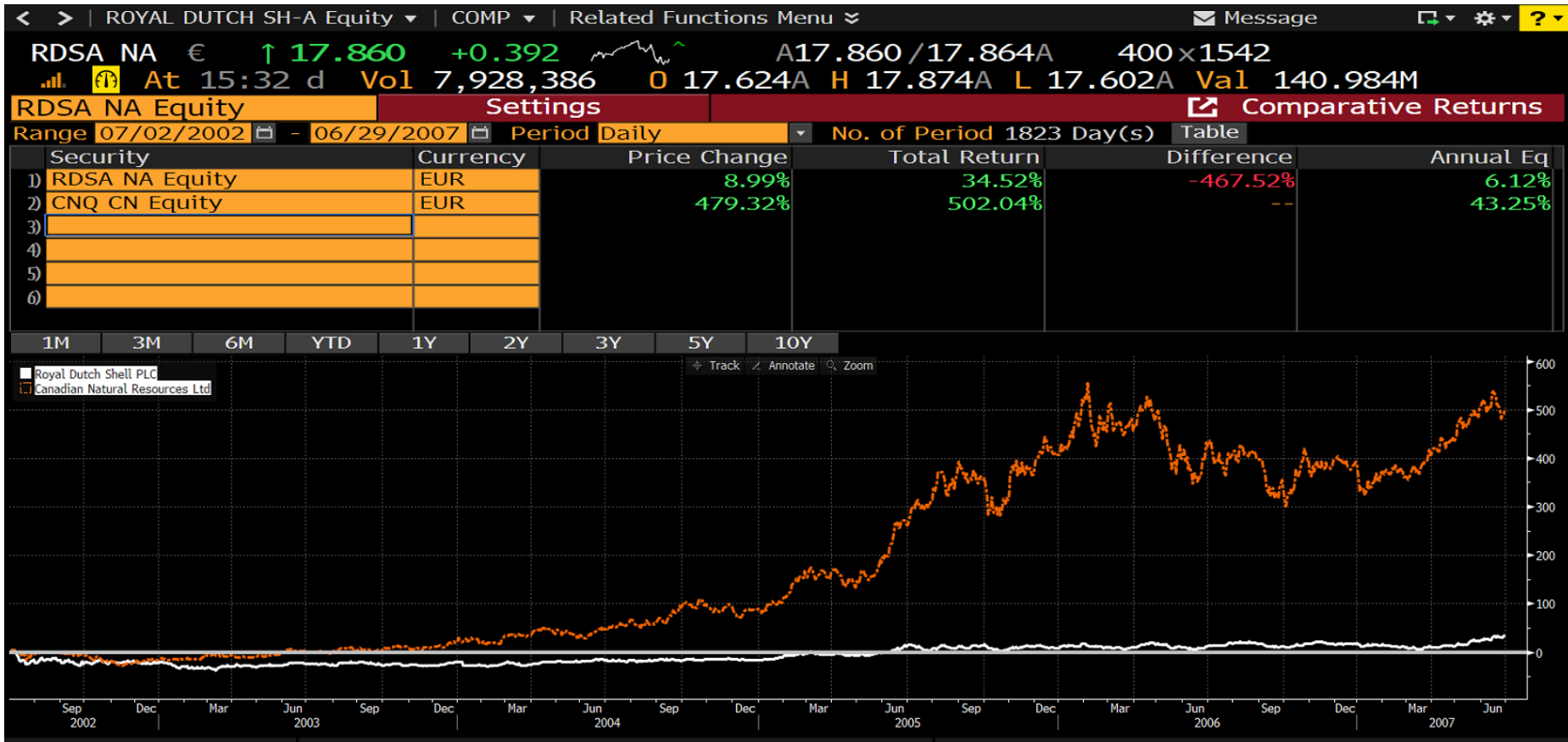
New pits

The Worlds' Best Tier-1 Mining Assets

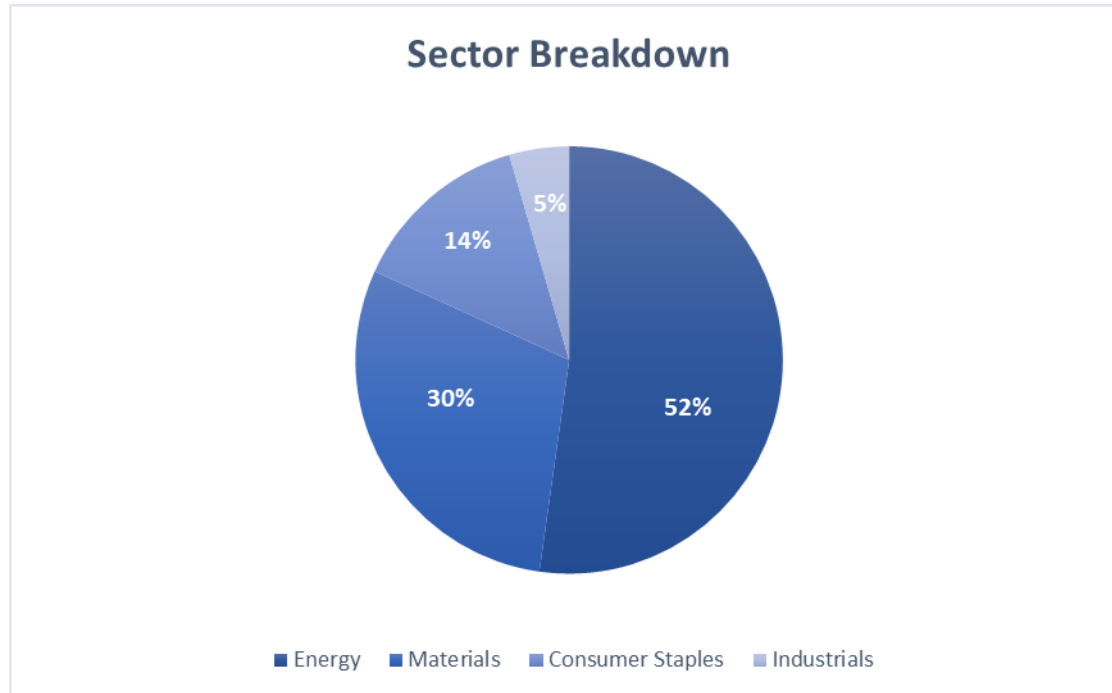
	Nickel (Mt)	Copper (Mt)	Palladium (Moz)	Platinum (Moz)
Normickel	6.9 <i>Proven and probable</i>	12.1 <i>Proven and probable</i>	93.0 <i>Proven and probable</i>	24.7 <i>Proven and probable</i>
	15.3 <i>Measured and indicated</i>	23.5 <i>Measured and indicated</i>	195.9 <i>Measured and indicated</i>	55.4 <i>Measured and indicated</i>



Majors are defensive, underperform in bull market



Energy	52%
Materials	30%
Consumer Staples	14%
Industrials	5%
Total	100%



Date: **31.03.2022**
 Funds: LTIF Natural Resources (EUR, USD, CHF)
 Currency: EUR
 Total AuM (combined): 79 Mio.
 Intrinsic value (SIA estimate): EUR 184

Category	Equity	E(r)
1	0.0%	
2	18.2%	11.4%
3	62.2%	12.5%
4	19.6%	14.4%
Overall	100.0%	12.6%

Positions (41)

Name	Bloomberg	Country	MSCI GICS Sector	Ccy	Cat	E(r)	Weight
Cenovus Energy Inc	CVE CT Equity	CA	Energy	CAD	3	13%	4.9%
Suncor Energy Inc	SU CT Equity	CA	Energy	CAD	3	13%	4.9%
Harbour Energy PLC	HBR LN Equity	GB	Energy	GBp	4	15%	4.8%
Grieg Seafood ASA	GSF NO Equity	NO	Consumer Staples	NOK	2	11%	4.7%
Cameco Corp	CCO CT Equity	CA	Energy	CAD	3	9%	4.5%
TGS ASA	TGS NO Equity	NO	Energy	NOK	3	15%	4.2%
ConocoPhillips	COP US Equity	US	Energy	USD	2	10%	4.0%
Hess Corp	HES US Equity	US	Energy	USD	3	12%	4.0%
Petroleo Brasileiro SA	PBR US Equity	BR	Energy	USD	4	16%	3.8%
Hudbay Minerals Inc	HBM CT Equity	CA	Materials	CAD	4	14%	3.6%

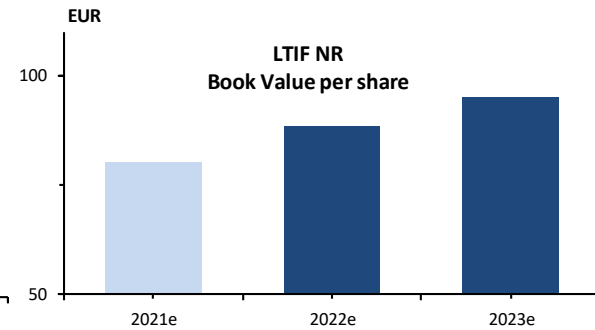
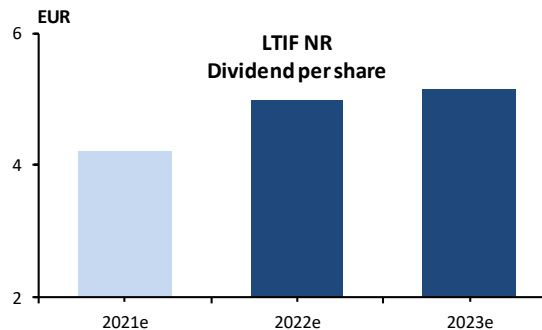
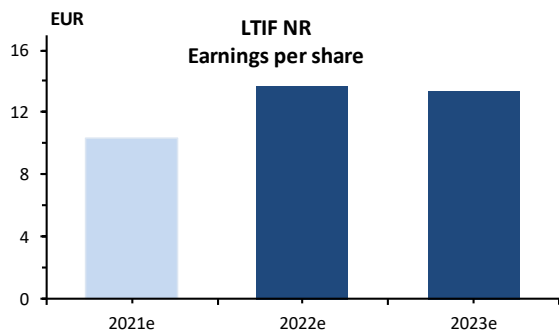
Reporting LTIF NR as of 31.12.2021 (aggregated data in EUR)

Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%

Year	EPS	%	P/E	EPS yield	S&P NR	
					P/E	EPS yield
2021e	10.4		11.8	8.5%	11.6	8.6%
2022e	13.7	32%	8.9	11.2%	10.4	9.6%
2023e	13.4	-3%	9.2	10.9%	10.7	9.3%

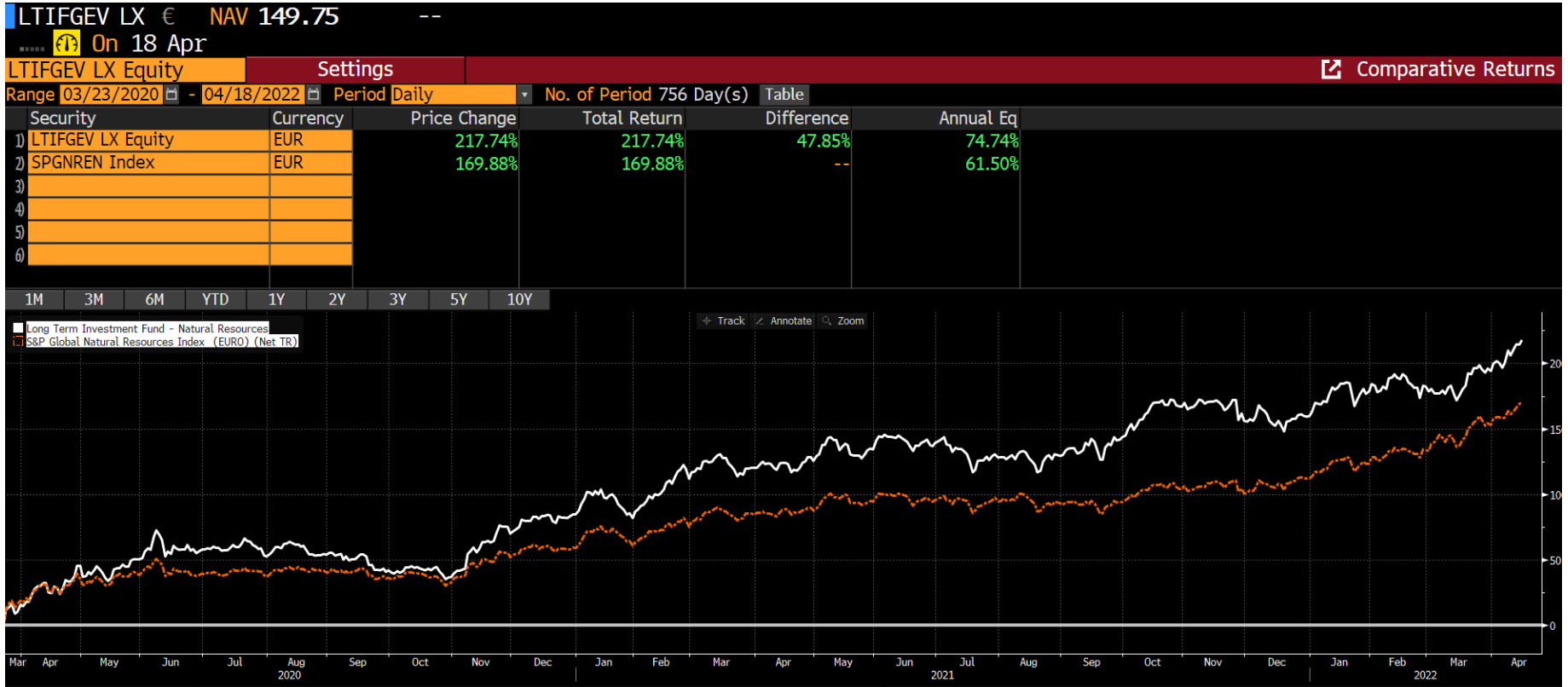
Year	DPS	%	Div. Yield	S&P NR	
				Div. Yield	
2021e	4.2		3.4%		4.0%
2022e	5.0	18%	4.1%		4.0%
2023e	5.1	3%	4.2%		3.9%

Year	BPS	%	P/B	S&P NR	
				P/B	
2021e	80.0		1.5		1.8
2022e	88.4	10%	1.4		1.5
2023e	95.2	8%	1.3		1.4



Source: SIA Group / Bloomberg







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

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

- Daily liquidity, cut-off time previous day at 4:00 pm CET
- Performance fees are assessed and paid yearly, subject to High Water Marks and Hurdle Rates

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LTIF (SIA) Classic and Natural Resources

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