SIA
Strategic Investment Advisors Group

Long Term Investment Fund

Newsletter

of December 2018

- *Overview of our funds* 2
- *A few words on the portfolio's composition* 3
- *LTIF Natural Resources* 7
- *LTIF Classic* 12
- *Appendix* 13

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

"Be fearful when everybody is greedy and greedy when everybody is fearful"
Warren Buffett

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

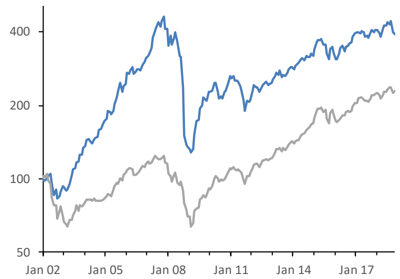


Figure 2: **LTIF Stability A Cap EUR**
vs. HFRX Global Hedge Fund Index EUR

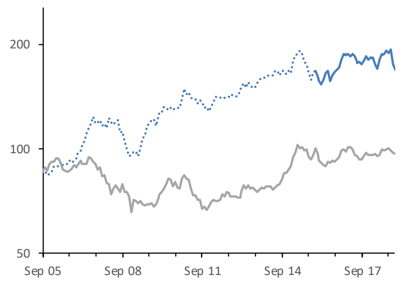
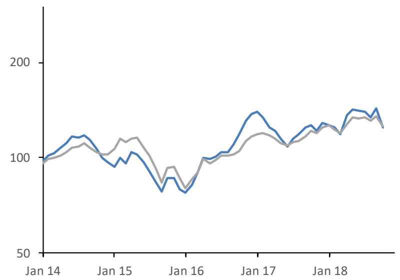


Figure 3: **LTIF Natural Resources EUR**
vs. S&P Global Nat. Res. Net TR Index EUR



Overview of our funds

Table 1 and charts 1 through 3 show the evolution of our funds' Net Asset Value during the last quarters.

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

December 31, 2018	NAV	Δ 3m	Δ 12m	Annualized return (s.i.)	AUM *(in mio)*
LTIF Classic [EUR]	348.20	-21.4%	-14.8%	7.7%	116
LTIF SRI (EUR)	82.80	-19.6%			10
LTIF Natural Resources [EUR]	93.58	-23.8%	-15.4%	-0.5%	14
LTIF Stability A Cap [EUR]	156.65	-19.4%	-14.9%	3.4%	8

Source: SIA Group

This evolution has clearly been negative of late, showing a big drop in the last quarter similar to that of most European markets and larger than that of US markets (the world indices are to some extent the average of these).

Our readers know by now that investors' fear that the world is entering a recession, probably driven by trade wars, Brexit, Italian deficit problems, etc., has caused this drop. It is well-known that a recession weakens many companies' profits, which is, of course, bad news for share prices. Since equity markets' job is to anticipate future profits, the generalization of a recession fear is more than enough to reduce shares prices.

However, in Prof. Samuelson's immortal words, "equity markets have accurately predicted nine of the past five recessions", investors are fearful by nature, especially after a long period of increasing share prices, and this makes them relatively quick to sell even before they have much evidence of the feared recession's reality.

Given the anticipatory nature of markets, waiting for proof of a recession is fairly useless since the market has already dropped most of what it was going to drop by the time such proof emerges, which explains the panic selling we have seen.

At SIA we do not know whether a recession is looming; we do, however, have some thoughts on this, as we explain later. And we certainly do not know what investors think other investors are thinking. We therefore invest

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

like business people interested in owning a good business that, with more or less difficulty, will survive all recessions and flourish in the long term. As we keep saying: If earnings per share grow, share prices will eventually follow.

This brings us back to our usual distinction between a signal and noise. The signal from a long-term investor's portfolio is the companies' profits. Noise is the daily (or quarterly) movement in share prices. After all, typical long-term investors, such as private equity funds, only concentrate on the signal, since (by definition) there are no daily prices. Nevertheless, any private equity fund started in the last two or three years and now trying to sell at whatever price would reap serious losses regardless of its companies' underlying profitability. Mr. Market has been in a very bad mood for the last three months and does not want to pay for future profits. On the other hand, if an investment was good three months ago, it's extremely likely to be equally good now. This said, at present this investment can be had for 15%-20% less. We're sorry to return to a familiar example, but if a *herd of experts* passed your house in which you live comfortably and said it was worth 25% less than two months ago, would you sell and go live in a hotel? Of course not! And while our investments are not a house, they are something much better: a diversified basket of good businesses that should grow over time.

How have our companies done this year? On the whole, fairly well. The average growth in profits per share has been 15% and the dividends have grown by 9%. As far as we can see, the prospects for 2019 are not bad, although if a horrible world recession were to materialize, we would be wrong … for one or two years. Our companies are expected (according to analysts' consensus) to grow their profits by 10% in 2019. In fact, we are rather more optimistic about most of them (which is why we are invested in them), but accidents happen, so this is just an indication. At current prices, our PE is 11, the dividend yield is 3%, and the most important metric, the expected return (the annualized return of holding companies long term) is a breath-taking 17%. We haven't seen such a high expected return (or, the other way around, such low prices) for several years. This refers to the Classic fund. In our opinion, the Natural Resources fund's future returns should be even better. Let's review the reason for this optimism by taking a look at our businesses.

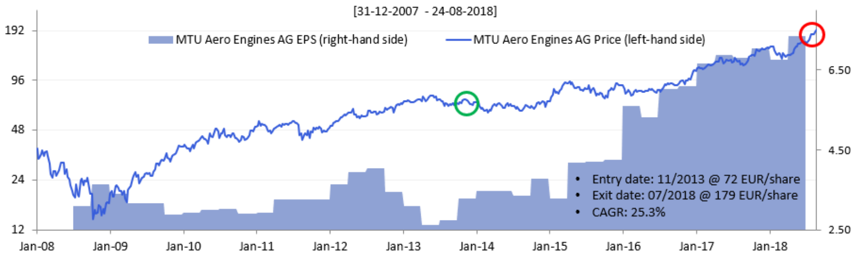
The signal from the portfolio

First, a few words on the portfolio's composition: In keeping with our usual practice, we have moved it very little. We have sold EasyJet, MTU, Viscofán, and Deutsche Post. In the case of EasyJet, we have made some money, as mentioned in a previous newsletter, because we bought the bulk of the position at a very low price following the Brexit referendum. We think it's a great company and will do well in the long run, but the industry has been adding planes very fast, pressuring prices, and (contrary to many people) we expect oil prices to go up over the next few quarters (more on that later). Therefore, while EasyJet's mid-term profitability is acceptable, it is lower than what we think we can obtain elsewhere.

SIA Funds AG   Alpenblickstrasse 25   8853 Lachen   Switzerland
tel : +41 55 617 28 70   fax : +41 55 617 28 71   info@s-i-a.ch   www.s-i-a.ch

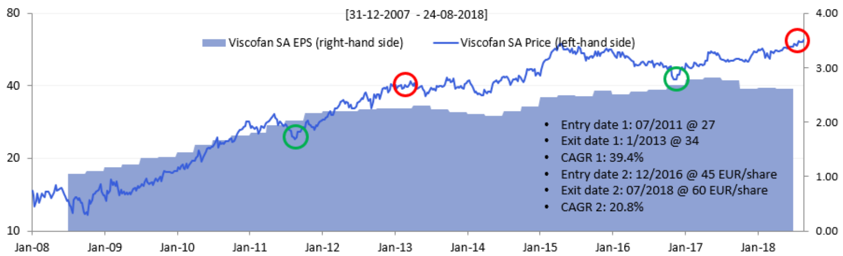
MTU has been a great investment. We bought it 5 years ago, fully aware that we would have to wait a bit for its value to show. Indeed, for a couple of years the share didn't move much — for those obsessed with benchmarking, it did worse than the indices, which went up, making it a "bad" investment. But then the new engines were introduced, and the enormous, stable future cash flow became apparent. Within a few months the shares went up drastically, to a point (PE of 25) where we thought we could find better value elsewhere. As in many other cases, we will gladly buy MTU again if the share were to drop significantly.

Figure 4: MTU Aero Engines AG



We have also sold Viscofán. As we have explained over the years, it's a company we love, but, despite its extremely stable business, it has a very volatile share price. This has already allowed us to buy and sell at great profit a couple of times and with very little risk.

Figure 5: Viscofán SA



Deutsche Post has been a less successful investment. In fact, we lost some money in it, but fortunately never made it a large position. After several quarters of reviewing the company, we have come to the conclusion that our initial assessment of the parcel business's attractiveness, which is driven by e-commerce, was correct. Nevertheless, the company is burdened with too many legacy assets and employees. At their current prices, the shares are certainly not overvalued, but we think we have better opportunities elsewhere (many other shares that we know better are even more undervalued).

Taking advantage of the last quarter's drop in prices, we have bought a number of industrial companies that we had been following for a long time. We'll introduce them in the coming Newsletters.

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Next we discuss the permanent portfolio's profitability.

Among our long-term holdings, we have a group of consumer-oriented companies: Unilever, Nestlé, Henkel, Coca-Cola, Reckitt-Benckiser, and Devro. Their profits are up modestly this year, pay more than 3% in dividends, and we expect profit growth and dividends for 2019. Devro, Viscofán's only important competitor, which is trading at an incredibly low price, is especially remarkable: its PE is 10, whereas that of Viscofán is 18. The company is smaller and almost no brokers follow it. Insiders are buying its shares, and so are we.

Salmon producers have continued to do well, for the same reasons they did in the past and they will in the future: the demand for salmon grows very strongly each year, while geographical realities constrain the basic supply. Within this long-term situation, we find high short-term volatility. Water temperature, for instance, is a big factor in how fast salmon grow, therefore affecting the supply in the short term. But nobody knows how much it will snow next winter or how warm the summer will be. The same applies to diseases and algae in the water. The companies' share prices reflect this short-term volatility excessively, and we take advantage of this with a little trading around our core positions. Whatever the case, the average earnings per share in 2018 are up by more than 40% and we expect an even better performance in 2019. The dividends should be above 4%. The PEs are slightly above 10. Interestingly, Joyvio Group, a Chinese company, has just announced the purchase of the Chilean salmon farmer Australis for USD 880m, a price clearly higher than those at which our companies trade.

United Technologies is a world leader in elevators, air conditioning, and airplane engines (it is MTU's senior partner). The profits are up by 7% and we expect them to grow by another 7-8% in 2019. The company has announced plans to split into different entities in order to give investors a better focused "story." Merging and de-merging operations tend to be somewhat value destroying (except for the organizing investment banks), but, with a PE of 14 for a Return of Equity of 16%, the shares are very inexpensive and we retain the position.

In industrial services we have two companies that have done less well than expected: ISS and Sodexo. Sodexo's profits have actually declined 10% this year, due to its difficulties in the US market. However, it should recover in 2019, although, with a PE of 17, the shares are trading as though they won't. ISS's profits are flat for the year, and we also expect improvement in 2019. With a PE of 12 and a dividend yield of 4.7%, we feel we can wait.

From the point of view of its share price, Pandora has been a horrible investment: we bought it a couple of years ago and its shares are trading 55% below our purchase price. The company is in transition from an extremely fast-growing, extremely profitable operation to a more mature one. Nevertheless, we believe it has a solid strategic position and a promising future. We assume that there will be a transition phase that will take 1-2 years more,

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

but with a current free cash flow yield of more than 15%, the company looks pretty cheap. The PE is 5.7, the ROE is an amazing 70%, and the dividend yield is 6.4%, all with little debt. Currently, the board is weighing the interest of several Private Equity Funds, while searching for a new CEO to lead the transition.

In healthcare, Grifols and Medtronic are doing well. Medtronic's earnings are up 5% in dollars and we expect an even better performance in 2019. The company is a real "compounder," growing profits every year regardless of the economic conditions and trading at a very reasonable PE of 17. Grifols is still in its investment phase, but we expect profits of €1.5 per share once the investment matures in 2020/2021. That would mean a PE of 13 for an extremely stable, non-cyclical, fast growing company whose multiple should be closer to 20. We see a story somewhat similar to MTU's, where "everybody knows" that the company will be very profitable in two or three years' time, but investors are waiting to buy until closer to the time. Once they start, the price will adjust quickly. We are almost there.

Apple has been the big news of the last few months, and we don't have much to add to everything that has been written. We believe the company is in an extremely strong position, growing profits every year: in 2018 it has grown an incredible 30% over the previous year. 2019 should be okay, with profits growing modestly. The profitability is huge: the return on equity is 40%, the company generates more than $20 billion in free cash flow each quarter, and has net cash of more than $100 billion, which it is returning to the shareholders. The most important asset, its user base, keeps growing and adding to the services revenue (up more than 19% in 2018), while the company keeps breaking sales records in important countries such as the US and Germany. The growth will moderate, or might hit soft patches, as has happened in China, but the company is trading at an incredible cash-adjusted PE of 11. We feel that, at this price, we will make good money over the next few years.

In the financial sector, we own Visa and ING, the Dutch bank. As we have said previously, Visa has probably one of the best businesses in the world. In 2018, after absorbing Visa Europe, its profits per share have grown by 30% and we expect it to continue to grow strongly over the next years. Its PE, at 25, reflects this quality, but we think it's still a reasonable price for such an outstanding business.

ING is the opposite in that its business doesn't grow much, but the company is very stable, well managed, and inexpensive at a PE of 7 and a fat dividend yield of 7.2%.

We have three companies in the "materials" space, all three leaders in their field: Air Liquide, HeidelbergCement, and Wienerberger. They are inexpensive, profitable, and growing. Air Liquide is very stable and much less dependent on the business cycle than the other two, but HeidelbergCement is

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

well diversified geographically and Wienerberger is still "catching up" after years of under-construction in Central and Eastern Europe.
Their PEs range from 19 for Air Liquide to 8.6 for HeidelbergCement, which also has a high dividend of 4.4%.
We discuss our positions in oil and copper in the Natural Resources fund below.

As we can see, it's been a profitable year for our holdings, with mostly profitable trades and a couple of question marks.

NATURAL RESOURCES

Nothing has changed in the oil industry despite the many changes we have seen. We believe that OPEC started producing at historic highs in October (more than 33m b/d) to cover the foreseeable fall in Iranian production due to the US sanctions. However, the Trump Administration decided to postpone the sanctions for 6 months. The net effect: a +1.5m b/d increase in supply in November (mainly from Saudi Arabia) and a large price correction fueled by several technical features, among which large positions in the Long Oil/Short Gas trade (which make sense in the long term) that had to be unwound, and by banks' need to hedge the 2019 cover they had sold the oil producers.

After the OPEC+ (essentially, Saudi Arabia plus Russia) cut in December, the market is re-balancing and we have already seen 4 weeks of inventory draws. Although it will take a few more weeks, the prices will gradually move towards the $70/80 per barrel, which the sector needs before investing again. We are not in favor of interventionism, cartels etc., but we believe that OPEC+ is doing the world economy a favor by limiting supply and raising prices to what is needed to justify investment in new production. The sector has massively underinvested (excluding "shale oil") since 2014 and from 2019/20 this will be very visible. The world needs to invest much more in oil (especially in deep water) in order to meet the consumption expected in the next few years, which requires attractive oil prices.

We also see shale reaching maturity. The increasing depletion (more investment is needed just to keep production flat), the peaking productivity (more than 50% of the wells in the key producing areas are already "child wells" etc.), and logistic issues (pipelines, sand, drivers, etc.) are factors that make us think that shale cannot be the only source of oil supply growth in the future.

However, the following is perhaps even more important: how much shale there is, is not very relevant, given that our numbers suggest that shale oil needs the same price as deep water oil or oil sands to be incentivized or profitable — a range of $65/75 per barrel and rising.

It is important to make the right calculations, taking depletion and various other costs (transport, discounts, overheads, etc.) into account, to calculate

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

the business's real profitability. A small detail: to date, shale producers have never generated free cash flow, even when the oil price was above $100 per barrel.

We have increased our investment in oil during this market correction, taking some short-term pain, but it has a very strong potential, which we hope will materialize early in 2019.

Copper: The price has fallen in an undersupplied market, which is not normal.

2018 has been a year of a net copper undersupply of about 150,000/200,000 tons according to our calculations. Inventories have decreased this year, confirming these numbers. But instead of rising, macro fears (recession / China) have led to the copper price returning to levels ($/lb. 2.7) well below the investment incentive prices. We have again reviewed our supply and demand numbers and still find an undersupplied market in 2019, 2020, and 2021, with only few large projects starting in 2019/20 (Cobre Panama) and 2022/23 (Oyu Tolgoi and Grasberg block caves). In this context, once the current macro fears subside, the prices will have to reflect the scarcity to attract investment and we should earn a great deal.

The Natural Resources fund's other large position is in salmon producers, discussed above, which represent some 17% of the portfolio.

We have added Kazatomprom, a uranium producer in Kazakhstan. Together with Cameco (which we also own), it's the "other" producer. The company just went public, eliciting almost no interest from investors. If the uranium price normalizes over the next few years, the annual dividend yield will exceed 25%.

A final word on commodity prices: it's interesting to note that those commodities for which there are no financial markets (iron ore, coal, etc.) are doing better than those for which there are (oil, copper, etc.). In other words, the real economy prices commodities on the basis of the real supply and demand, not on "macro" expectations. Naturally, this divergence only lasts while the inventories last. Once a commodity becomes scarce, its price goes up, as iron and coal have done over the last quarters, regardless of investors' macro views.

A few words on the economic environment, or how the landscape has changed in just a couple of months.

At the end of September, the LTIF Classic was +8% on the year, with a NAV close to EUR 443 and at the end of the year it was down 15% with a NAV of EUR 350. As mentioned before, this drop is similar to those of European indices and less than those of the energy and materials sectors, which are basically where we are invested.

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

The economic growth has, nevertheless, been more than reasonable. With a GDP growth of 3.5% in the US, 2%+ in Europe, 6%+ in China, and the world growing slightly above trend, this does not really suggest the fast and furious correction we are witnessing.

In our view, Mr. Market has started to discount a recession, mainly due to the following 3 reasons: 1) The Fed being too aggressive regarding the tightening cycle; 2) China's economic hard landing, which a potential trade war is fueling; 3) Brexit and its impact on European growth. We also have to consider the increase in algorithmic, computer-driven trading, which tends to be "pro-cyclical": when the market goes up, the machines buy and sell when it drops, exacerbating the movements.

We are undoubtedly seeing a "mid-cycle slowdown". The economy is slower than it was, and two issues have specifically deteriorated somewhat: the Chinese economy is slowing down (with the trade war contributing) and Brexit has become a messy process. Regarding the FED, we believe they are managing the curve reasonably.

- We don't see a recession anywhere in 2019 or 2020

  The macroeconomic forecasts for the US 2019/20 continue to anticipate GDP growth in the order of +2.7%, Europe around 1.5-1.7%, and China around 6%. It is true that we have passed the halfway point of this economic cycle, but we maintain that we started from much lower levels after the Great Financial Crisis of 2008/09 and that it will take a few more years to reach the top. Despite issues with parts of the credit market, the developed economies do not yet show major credit, wage or investment excesses that would suggest a looming recession. Since the core inflation remains contained, central banks can afford to slow their policy normalizations should they need to sustain growth a bit. As long as the world can muddle through the worst political risks, 2019 should turn into a better year than markets are pricing in today. The wild-card here might be the Chinese economy, which is difficult to understand in terms of its size, complexity, and information, but both monetary and fiscal policies lead us to anticipate a soft-landing with recovery in H219. The Chinese economic authorities' track record was rather good during the last decade and our different measures suggest this will be no different during the next.

  The US interest rate's almost inverted curve does not worry us too much, since, apart from full employment and the beginning of a slightly more inflationary era, not many indicators suggest a risk, neither have we identified relevant bubbles. The interest rates that worried us a lot during this cycle are already normalizing in the United States and the same will happen in Europe a couple of years from now.

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

- A China-US trade agreement seems feasible

  Economic logic leads us to think that the US and China will end up reaching some kind of trade agreement, which both economies need more than ever (remember former President Clinton's famous sentence: 'it is the economy stupid!'). Note the Trump Administration's track-record, which, after aggressive threats, has closed agreements with Mexico, Canada, North Korea, and the EU. In any case, if continued, the impact of the China-US trade conflict is not large enough to derail the economic cycle — it is manageable.
- A hard Brexit could cause real economic pain

  We at SIA have perhaps underestimated Brexit's impact, a process that we describe as huge nonsense. We thought that the way out was going to be easier and understood too late that an American, Asian, or even European investor cannot really invest in Europe under this threat. We still think that the central scenario is a soft Brexit that doesn't change the European structure much in the long run, but, in our opinion, a hard Brexit would lead to a recession in the UK and much slower growth in the rest of Europe for a few quarters.

This said, our central scenario remains: 1) no global recession, 2) a soft Brexit, and 3) a US-China agreement. From this perspective, the stock market has become very cheap, in fact, incredibly cheap, with many investment opportunities, especially in any sector/company correlated with the economy and with the cycle.

Europe trades at 12x earnings 2019E, the US at 14x 2019E, and emerging markets are mostly trading at very attractive levels. Furthermore, most earning downgrades due to the slowdown have already occurred (mainly financials, autos, industrials, and semiconductors-tech), with other large sectors looking just fine (health, consumer, other tech, energy, and materials). We obviously do not agree that a global recession is imminent. The following OECD estimates pretty much summarize our base case scenario, which is a return to a growth trend with a couple of stronger years following.

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

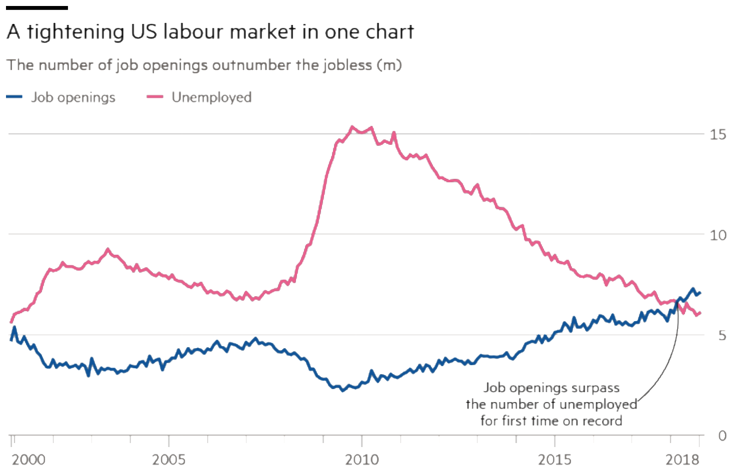
World Economies. Slowing Momentum. Growth back to Trend

Year-on-year, %. Arrows indicate the direction of revisions since May 2018.

	2017	2018	2019		2017	2018	2019
World	3.6	3.7 ↓	3.7 ↓	G-20	3.8	3.9 ↓	3.8 ↓
Australia	2.2	2.9	3.0	Argentina	2.9	-1.9 ↓	0.1 ↓
Canada	3.0	2.1	2.0 ↓	Brazil	1.0	1.2 ↓	2.5 ↓
Euro area	2.5	2.0 ↓	1.9 ↓	China	6.9	6.7	6.4
Germany	2.5	1.9 ↓	1.8 ↓	India[1]	6.7	7.6 ↑	7.4 ↓
France	2.3	1.6 ↓	1.8 ↓	Indonesia	5.1	5.2 ↓	5.3 ↓
Italy	1.6	1.2 ↓	1.1	Mexico	2.3	2.2 ↓	2.5 ↓
Japan	1.7	1.2	1.2	Russia	1.5	1.8	1.5
Korea	3.1	2.7 ↓	2.8 ↓	Saudi Arabia	-0.7	1.7 ↑	2.6 ↑
United Kingdom	1.7	1.3 ↓	1.2 ↓	South Africa	1.2	0.9 ↓	1.8 ↓
United States	2.2	2.9	2.7 ↓	Turkey	7.4	3.2 ↓	0.5 ↓

Source: OECD

We believe the following chart concludes this "macro overview" on an interesting note: it shows that right now there are more job openings in the US than people seeking jobs. However, the chart can be understood in two ways: the positive take is that the economy is doing extremely well, and recessions are not possible when people find jobs. The negative reading implies that the economy cannot improve much more, which is obviously true, although there are many people in the US (and even more in Europe) who had previously stopped looking for a job but are returning to work. All in all, we don't see too many problems in the medium term.



Sources: Refinitiv, Federal Reserve Bank of St. Louis, US Bureau of Labor Statistics, Oppenheimer Funds
© FT

Matthew Rocco DECEMBER 21, 2018

And, let's not forget, currently the world is much, much bigger than just the US, not to mention the UK. The worst of all possible Brexits would (by definition) be bad for the UK, but the real-world economy would scarcely notice it.

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

We would nevertheless like to repeat that we are not a “macro fund.” We don’t invest according to macroeconomic forecasts or try to time the markets. As mentioned at the beginning of this newsletter, markets frequently overreact, and we most certainly don’t know how to stay ahead of them during such speculative movements. What we do know, is how to analyze companies’ long-term prospects and how to identify good investments, which necessarily include difficult periods. Investors who think they can be invested when matters are bright and disinvested when they are grey will find that they buy expensively and sell cheaply. Great businesses, and great portfolios, are created over time, enduring the ups and downs that are intrinsic to modern economies. Great investments are made when matters look bad, overpaying occurs when matters look good. Read Warren Buffett’s famous quote at the top of this newsletter again.

THE CLASSIC FUND LOOKS REALLY CHEAP VS. HISTORICAL METRICS

The theoretical Intrinsic Value of the LTIF Classic (sum of the IVs of all the shares in the portfolio) has not changed much and stands at €625 per share, with an upside of 70% in the medium term and an IRR on investment of 17%.

We have already updated most of our estimates and neither the earnings per share nor the Intrinsic Valuations have changed much. We obviously did not achieve our NAV target for 2018, which is calculated on the basis of the forecasts and the portfolio companies’ normalized ratios, which was EUR 440/450.

Looking ahead to 2019, excluding a deep recession, the target increases to a NAV of EUR 475, 30% higher than the current price, given that we must recover what we lost in 2018 in order to converge to our long-term track record (9% annually since inception) and our objective of making 10% net per year. By design we have to compare ourselves with the global indices, but our objective — as our investors know well — is to make 10% annually, with a low industrial risk.

The Natural Resources fund is, of course, even cheaper, as the panicky selling of the last few months has affected it doubly. Its prospects are, however, very clear, as the supply and demand balance is what it is, only changing slowly. Right now, it’s extremely favorable for producers of oil and copper (and, to a lesser extent, for those of other metals).

Seasoned equity investors know that, on average, markets drop by 5% every 10 months, by 10% every year and a half, and by more than 20% every five years. This does not prevent them from going up by 6-7% per year over the long term. With our specific investments, and taking advantage of dips, we think we will do even better than that.

SIA Funds AG Alpenblickstrasse 25 8853 Lachen Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Legal Notice – Luxembourg

Performance up to 31.05.06 is that of the BVI-based LTIF, of which the LTIF Luxembourg is an identical successor. Previous performance is audited by Ernst & Young. Past performance is neither a guarantee nor a reliable indicator of future results. Performance data does not include the commissions and fees charged at the time of subscribing for or redeeming shares. This information has been furnished to you upon request and solely for your information and may not be reproduced or redistributed to any other person. It is not intended as an offer or solicitation with respect to the purchase or sale of shares of the Sicav. Neither the Central Administration Agent nor the Investment Manager assume any liability in the case of incorrectly reported or incomplete information. Please be aware that investment funds involve investment risks, including the possible loss of the principal amount invested. For a detailed description of the risks in relation to each share in the investment fund, please see the latest version of the prospectus, simplified prospectus, annual and semi-annual reports, which may solely be relied upon as the basis for investment decisions; these documents are available on www.s-i-a.ch or from the Central Administration Agent FundPartner Solutions (Europe) SA, 15A, avenue J.F. Kennedy, L - 1855 Luxembourg. LTIF Classic, Stability A Cap and Natural Resources (previously Global Energy Value) were approved for distribution in and from Switzerland by the Swiss Financial Market Supervisory Authority (FINMA) according to Art. 19 al. 1 of the Collective Investment Schemes Act, paying agent is Banque Pictet & Cie SA, Route des Acacias 60, 1211 Geneva 73, Switzerland. Legal representative in Switzerland is FundPartner Solutions (Suisse) SA, Route des Acacias 60, 1211 Geneva 73, Switzerland; notified to the Austrian Finanzmarktaufsicht according to §36 of the Investment Funds Act; authorised in France by the Autorité des Marchés Financiers (AMF) pursuant to Art. 411-58 of the AMF General Regulation; authorised by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) according to §132 of the Investment Act; authorised in Italy by the Bank of Italy and the CONSOB according to Article 42 of Legislative Decree no. 58 of 24 February 1998; registered in the register of foreign collective investment schemes commercialized in Spain by the Comisión Nacional del Mercado de Valores (CNMV) pursuant to Art. 15 of the Law on Collective Investment Vehicles; recognised in the United Kingdom by the Financial Services Authority (FSA) as a recognised scheme within the meaning of Section 264 of the Financial Services and Markets Act 2000.

LTIF – Classic EUR
ISIN: LU0244071956
Telekurs: 2'432'569
Bloomberg: LTIFCLA LX

LTIF – Classic USD
ISIN: LU0301247077
Telekurs: 3'101'820
Bloomberg: LTIFCLU LX

LTIF – Classic CHF
ISIN: LU0301246772
Telekurs: 3'101'817
Bloomberg: LTIFCLC LX

LTIF – Classic GBP
ISIN: LU0750886714
Telekurs: 18'032'305
Bloomberg: LTIFCLS LX

LTIF – Classic EUR-D
ISIN: LU1449969846
Telekurs: 33'180'015
Bloomberg: LTIFCLD LX

LTIF – SRI EUR
ISIN: LU1790109257
Telekurs: 40'678'982
Bloomberg: LTIFSRI

LTIF – SRI USD
ISIN: LU1790109331
Telekurs: 40'678'984
Bloomberg: LTIFSRU

LTIF – SRI EUR-D
ISIN: LU1790109414
Telekurs: 40'678'985
Bloomberg: LTIFSRD

LTIF – Natural Resources EUR
ISIN: LU0244072335
Telekurs: 2'432'575
Bloomberg: LTIFGEV LX

LTIF – Natural Resources USD
ISIN: LU0301247234
Telekurs: 3'101'839
Bloomberg: LTIFGEU LX

LTIF – Natural Resources CHF
ISIN: LU0301246939
Telekurs: 3'101'836
Bloomberg: LTIFGEC LX

LTIF – Natural Resources GBP
ISIN: LU0457696077
Telekurs: 10'638'983
Bloomberg: LTIFGEG LX

LTIF – Stability A Cap EUR
ISIN: LU1128810261
Telekurs: 25'840'496
Bloomberg: LTISTAE LX

LTIF – Stability A Cap USD
ISIN: LU1132799310
Telekurs: 25'906'913
Bloomberg: LTISTAU LX

LTIF – Stability A Cap CHF
ISIN: LU1589813515
Telekurs: 36'183'892
Bloomberg: LTISTAC

Central Administration Agent:

FundPartner Solutions (Europe) SA
15 avenue J.F. Kennedy
L-1855 Luxembourg
Grand-Duchy of Luxembourg

Investment Manager:

SIA Funds AG
Alpenblickstrasse 25
CH-8853 Lachen
Switzerland

Custodian:

Pictet & Cie (Europe) SA
15A avenue J.F. Kennedy
L-1855 Luxembourg
Grand-Duchy of Luxembourg

Registered Office:

15 avenue J.F. Kennedy
L-1855 Luxembourg
Grand-Duchy of Luxembourg