L T I F

Long Term Investment Fund

SIA Zoom Call

November 29th 2022

Presentation Plan

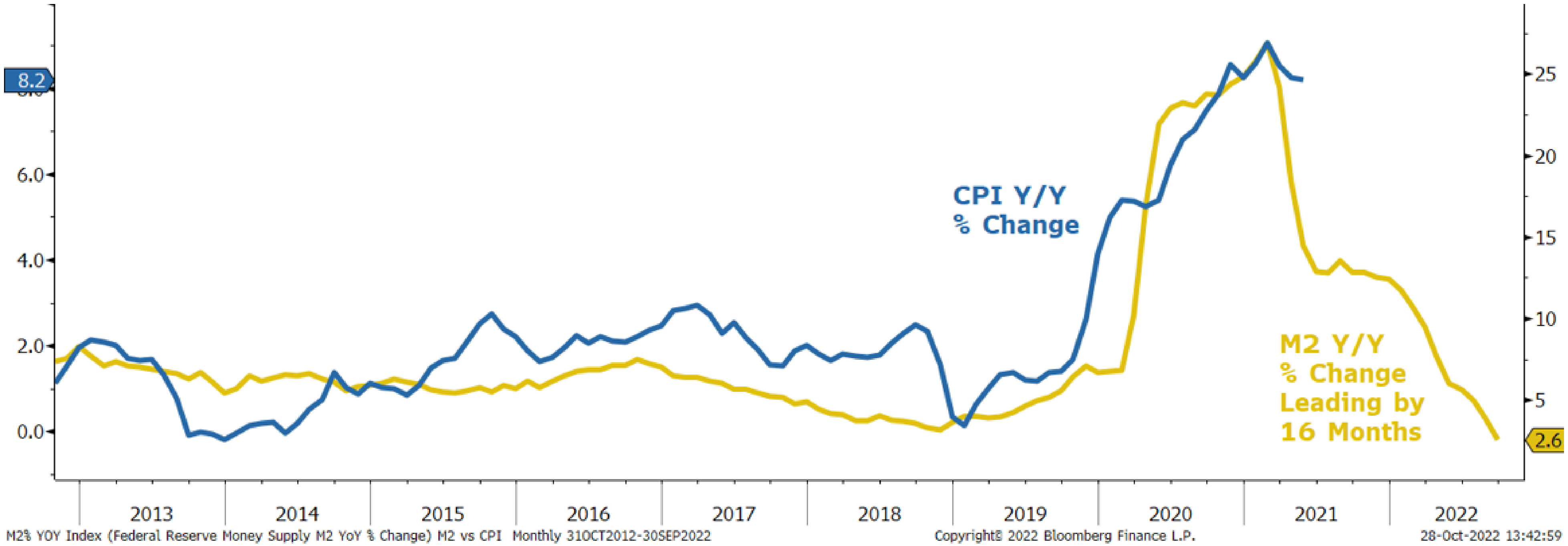
- **Where are we in the cycle: economic slowdown**
- The LTIF Classic: +14% ytd. Bye bye dear Devro
- Quarterly investment case: Pandora
- Technology and Energy are normalizing
- The LTIF NR: +15% ytd
- Animal spirits remain depressed
- Conclusions

Where are we? Economic Downturn

- Covid-19 is under control, excluding China. The easy solution would be importing mRNA vaccines?
- Inflation has peaked and will substantially fade in 2023, although above pre-covid levels
- Leading indicators: 1) earnings downgrades (-) 2) inflation and rates (-/=) 3) industrial PMIs (-) 4) China bottoming out (-/=) 5) war (-)
- Ongoing economic downturn: delta negative to mid-2023 with still a high-risk environment (Russia invasion)

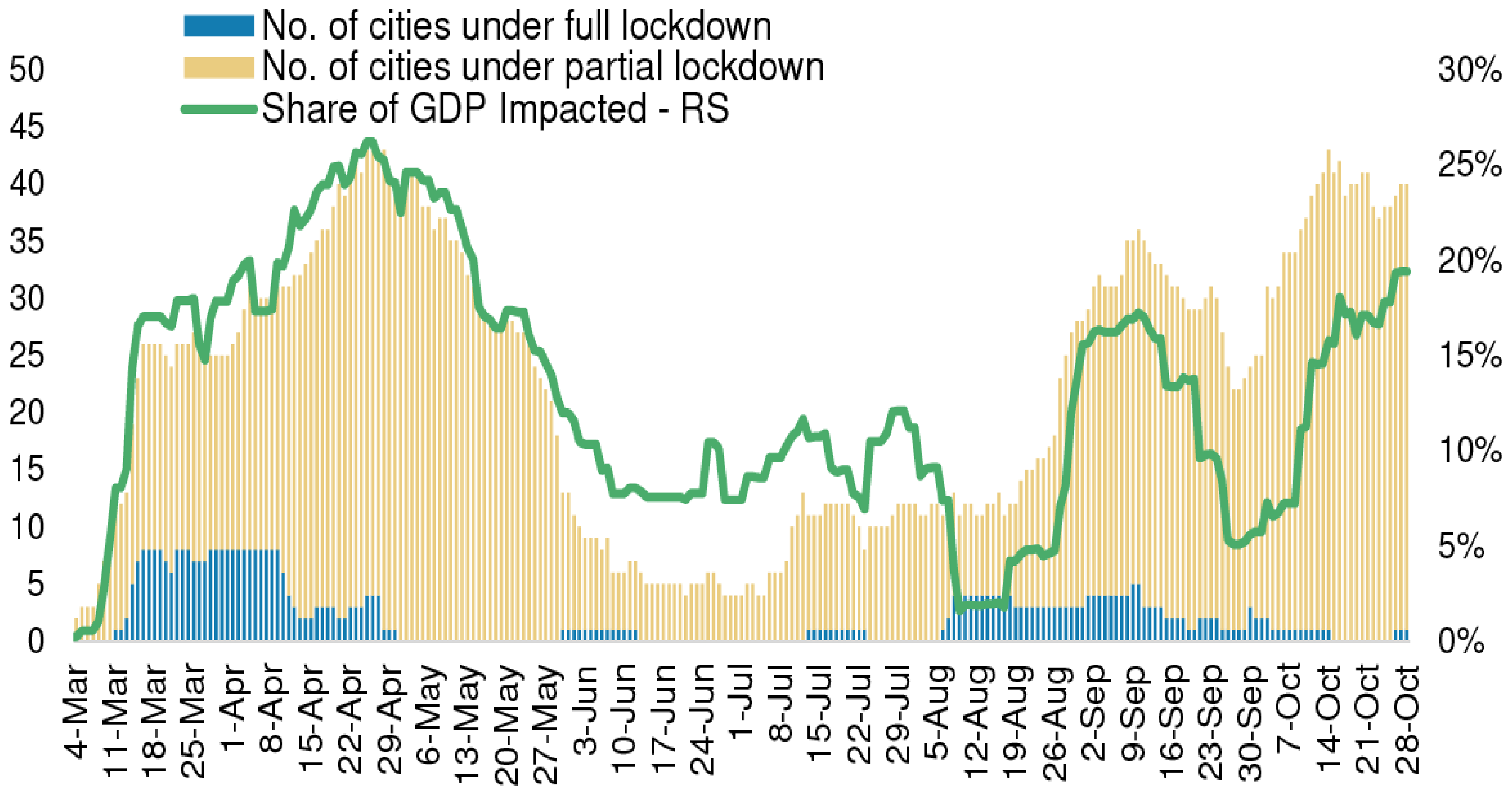
This phase of the cycle is usually tough for value and cyclicals/commodities so we are managing our funds on a conservative manner

Inflation down in 2023



- Peak inflation is approaching, and Europe should reach it by Q123. Thereafter, the inflation rate will gradually fade to 4%-5% levels
- Commodities & energy prices are down, logistic/transport's prices are falling, finished goods are also normalizing. Services and labor costs will complete their upward adjustment next year

Inflation China will lead the recovery with some delay in 2023



Negatives

- Covid 19
- Property
- Consumer

Positive factors

- Exports
- Monetary and fiscal easing
- Property support
- Infrastructures
- Replacing Russia

Some market participants think China is the verge of an economic crisis. We disagree

Heading towards an economic slowdown

- **Our portfolio is built to be recession-proof;** we are therefore not concerned about the slowdown/recession.

- We consider ourselves long-term entrepreneurs: if share prices drop, we buy more. Companies’ fundamentals do not change

- Our strategy of diversification by sectors, geographies, and risk categories is a great help with navigating turbulent waters

- **Warren Buffett often uses the phrase: “Be greedy when people are fearful.”** It is easy to understand, but difficult to execute, given that you must be very contrarian to buy when the animal spirits are so negative.

From an investment perspective, corrections and recessions can become great investment opportunities as fear greatly raises future returns.

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LTIF Classic: doing just fine

- **The LTIF Classic posted a good performance up to mid-Nov., at +14%,** ahead of most indices. The MSCI World Index (EUR) is -10%
- We are happy but this does not mean much. Ben Graham's: **"short term, the stock market is a voting machine; long term it is a weighing machine."**
- **The Classic's best sectors:** Aerospace, Defense, Catering, Cleaning, and Oil&Gas: Thales, Raytheon, ISS, Sodexo, Suncor, Hess, Cenovus, EOG, and ConocoPhillips
- **The worst Classic sectors** were Technology, Healthcare, Cement, Salmon, and Mining. Leroy Seafood, Mowi, Grifols, Pandora, ASML, Heidelberg Cement, and Hudbay Minerals.

Do you prefer the equities to be up or down? Falling equities is tough but it is a great way to make money down the road

The Classic (EUR 560 per share). IRR@15%. IV@ EUR 880 p.s.

- **The updated IV stands at EUR880 p.s.** with an IRR of 14.5%
- **We keep rebalancing the Fund to buy on the cheap.** Slowly as we are not yet out of the woods
- **Historically, the LTIF Classic has traded with an IRR of between 12% and 17%,** and at 14.5% is in the middle of the historical range
- We are close to our Dec 22 target (EUR 575 per share) and **we launch our target for 2023: EUR 625 to 650 per share, on normal market conditions**

The Classic expected IRR, less fees, is roughly 13% i.e., doubling the investment in 5 years. The SIA team is heavily invested in the Classic

Navigating turbulent waters

LTIF CLASSIC TOP10 HOLDINGS

Cenovus Energy	6,2%
ISS A/S	5,4%
ING Groep NV	5,1%
Sodexo SA	5,1%
Thales SA	4,8%
Suncor Energy Inc	4,6%
Unilever Plc.	4,2%
Grifols SA	4,2%
HeildelbergCement	4,0%
EOG Resources	4,0%
TOTAL	**47,8%**

The 4 G's:

- **Good Business** (franchise, returns)
- **Good management** (shareholder value)
- **Good Balance Sheets**
- **Good Price/Return**

Energy (oil & gas) remains our only concentration factor

Large business diversification. Look through: energy, aerospace, defense, blood plasma, cleaning, consumer, cement, banking, and catering.

Devro gets a take over bid

- One of our small jewels, **Devro, has received a bid by the Dutch agrifood company SARIA in an all-cash offer for 316.1 pence per share,** a 65% premium to the previous close.
- The price offered is not far from our Intrinsic Value estimate of 300p, **so the bid looks roughly fair.**
- Devro's weighting in the Classic was 4pp (1.5pp in the Natural Resources) so the impact is almost +2.4pp in the Classic and +1pp in the NR: positive as it unlocks the value much faster than expected.
- Is it a coincidence that the 65% premium is similar to the Classic's upside to IV? Not really, and **it shows the value hidden in our portfolio.**

It has been a long trip together. Good bye Devro. All the best.

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Quarterly investment case: Pandora

- **Pandora has done it again.** In the summer of 2021, we at SIA claimed victory with our investment in Pandora, which had made a fantastic recovery in both its business and share price, with the latter reaching almost DKK 900 in September 2021.

- A year **later Pandora has fallen 50% to around DKK 450 p.s. , trading at a PER of 8x on 2023 earnings.**

- **Why is it cheap?**
  - Pandora is part of the consumer discretionary sector, a sector heavily exposed to the economic cycle
  - The company has a mediocre track record, given its previous mistakes and the restructuring of the business had not even been fully completed when Covid-19 emerged.

Mr. Market is deeply worried about Pandora

Quarterly investment case: Pandora

- Pandora has significant competitive advantages: scale, costs, distribution, and even some network effect and switching costs (charms and collections); BS is healthy, and the stock super cheap.
- Although it is not immune to downturns (we may have to lower our estimates in 2023), it will survive them without structural issues.
- We started buying a few months ago and at these prices we will keep on buying.
- The company has paid its shareholders a 15% total yield (dividends and buybacks) in 2022. This is tangible cash flow, more important than the short-term change in the share price (back to Graham's voting machine).

Pandora should therefore x2 within the next 2-3 years. Our I.V. is DKK 1200 per share, with an IRR of 22%.

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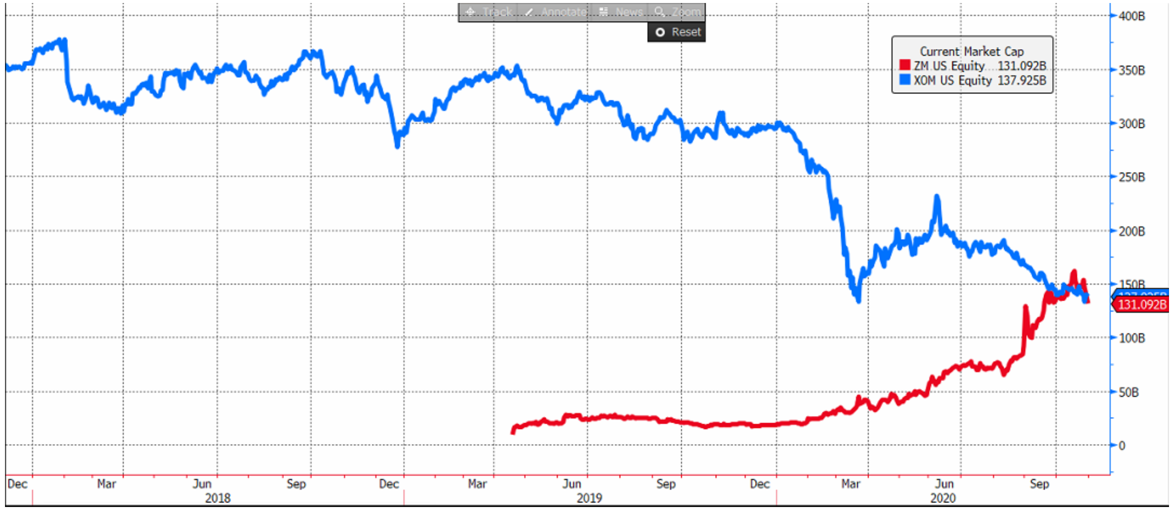
Markets have corrected in 2022

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	SPX Index	EUR	-7.17%	-5.83%	1.98%	-6.48%
2)	SXXR Index	EUR	-7.81%	-7.81%	--	-8.67%
3)	MXWO Index	EUR	-8.30%	-6.47%	1.34%	-7.19%
4)						
5)						
6)						

Source: SIA Group / Bloomberg

This is clear in some instances



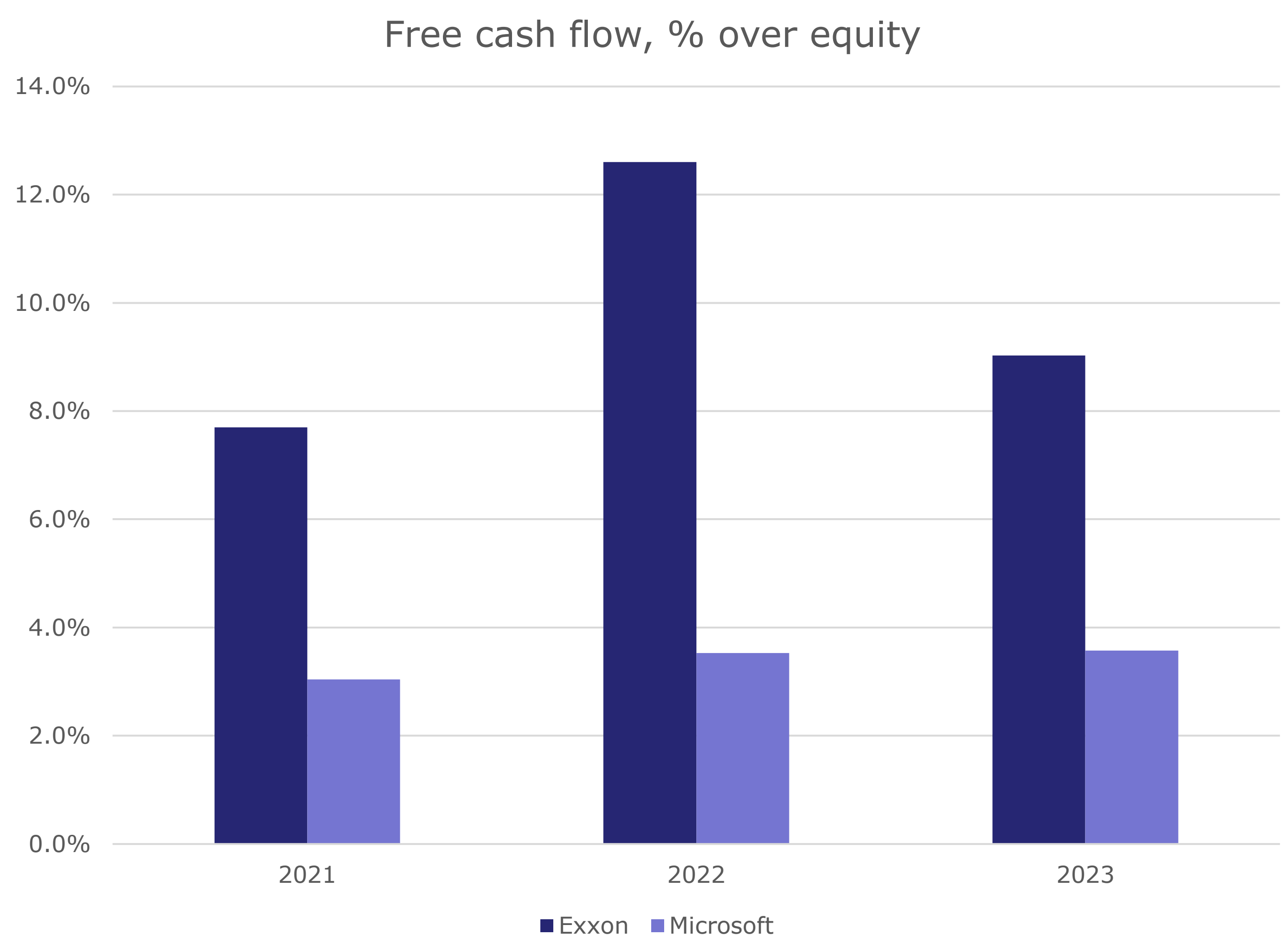
Source: SIA Group / Bloomberg

And in overall sectors

Is it too late? Time to revert?

Source: SIA Group / Bloomberg

There are still big discrepancies

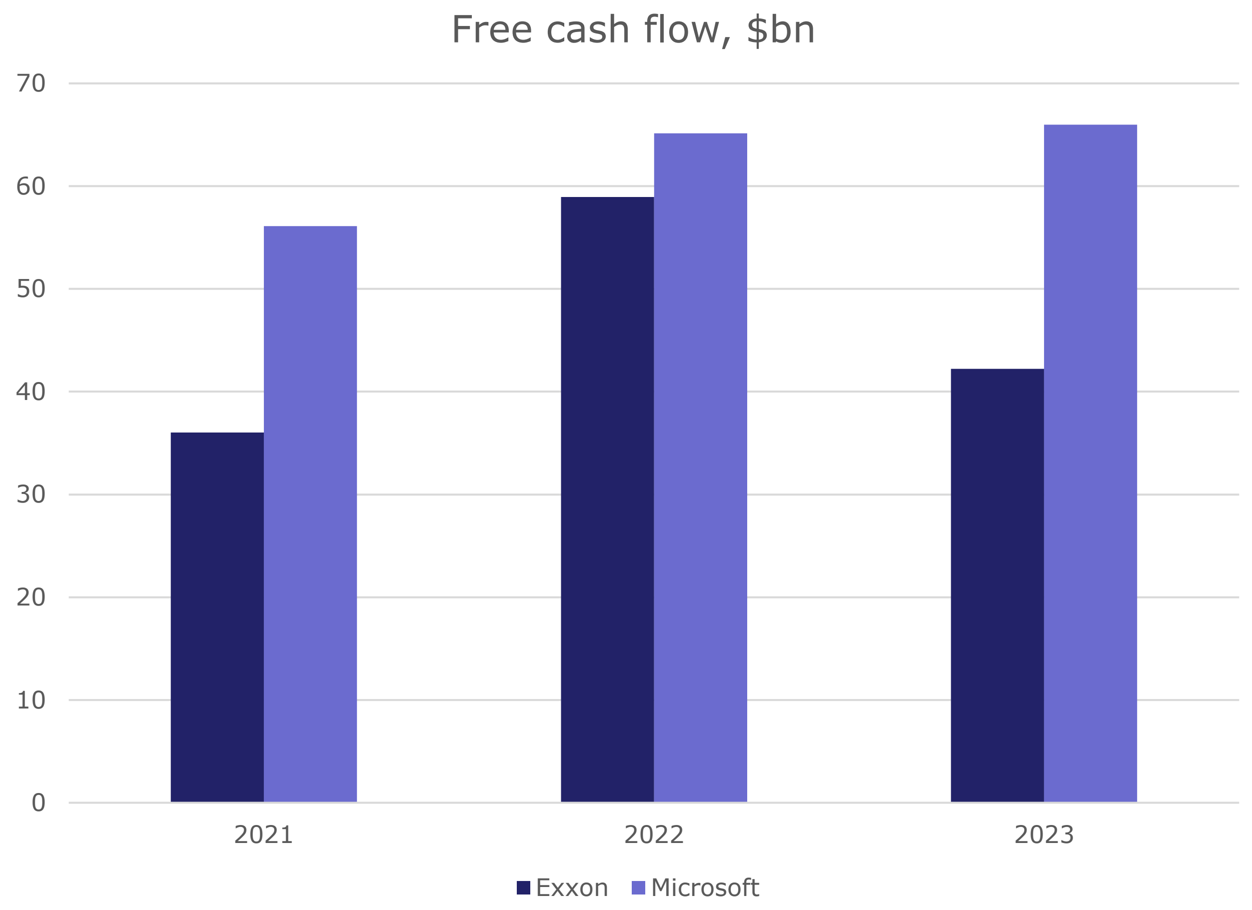


But liquidity implies short-term volatility

- Last month inflows: + $255 m

Source: SIA Group / Bloomberg

The market assumes very different rates of growth



The key is the forward price and the value of the reserves

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The NR Fund: well positioned for a LT cycle

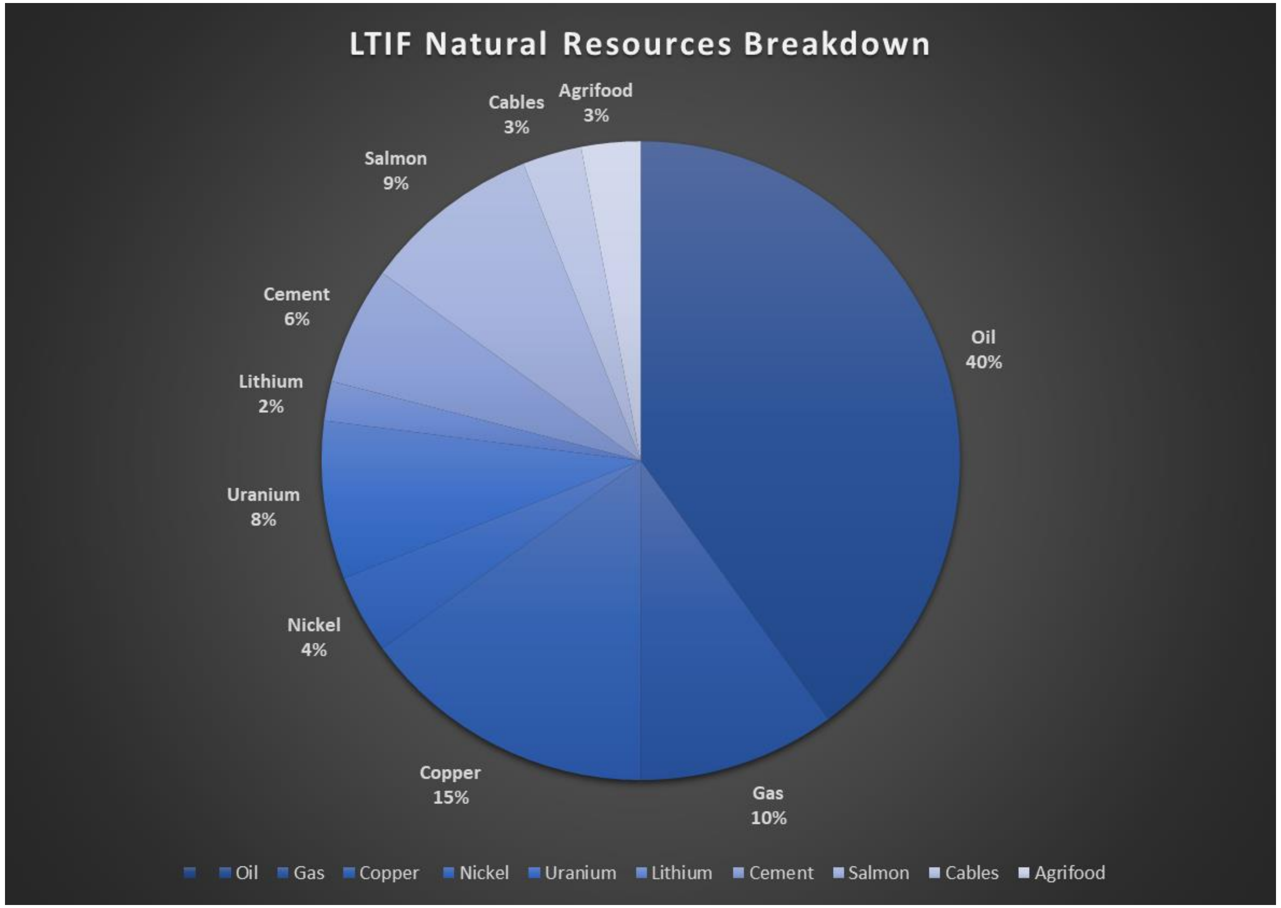
- **The LTIF NR fund closed 2021 up +41% and so far, this year is up 15% to €141 p.s.** We are still valuing Russian stocks at zero

- ***Energy* was the best performing sector,** up more than 60% (the weight has been around 50% of the fund) compared to a negative performance of *Mining, Infrastructures,* and *Agri-food*

- In line with the *Standard & Poor's Natural Resources Index*, +20% (EUR) ytd. (+9% in US$). The MSCI World Energy index is up +46% (in US$), and the MSCI World Metals and Mining index -5% (in US$)

This commodity super-cycle will be of long duration due to underspending, ESG constraints and Russia. Fear of Peak Demand (FoPD) affects investments in Oil & Gas

The LTIF NR trip to outperformance



- **Good business: TIER1** reserves & assets
- Good **management**
- Good **Balance Sheet**
- **Good price (cheap)**

- **Scarce** commodities
- **"Safer" geographies**
- **In/near production**
- **No start ups**
- **No majors**

The NR Fund (EUR 140 p.s.): IV of EUR 207 p.s.. IRR: 14%

- The IRR of LTIF NR currently stands at 14%, with an intrinsic value of €207 per share
- Remember that the intrinsic value of this fund is calculated with commodity prices and DCFs in convergence (mid-cycle) but we will remain invested until the upper part of the cycle is priced in
- The **current divergence between energy (up) and mining (down)** is allowing to rebalance the Fund on the cheap

EUR 300 p.s. (>2x the current NAV) should be feasible in the next few years as we will be fully exposed to the commodities super-cycle which historically moves well above mid-cycle numbers

Oil Market: short term update

- We expect higher oil prices relatively soon, due to the start of the European ban to Russian oil and the price cap of the G7

- **The fundamental problem is the supply, very limited in the mid-term, in the face of a still growing demand:** underinvestment since 2013, US shale maturing, financial discipline, FoPD, ESG constraints, low spare capacity, higher declines…

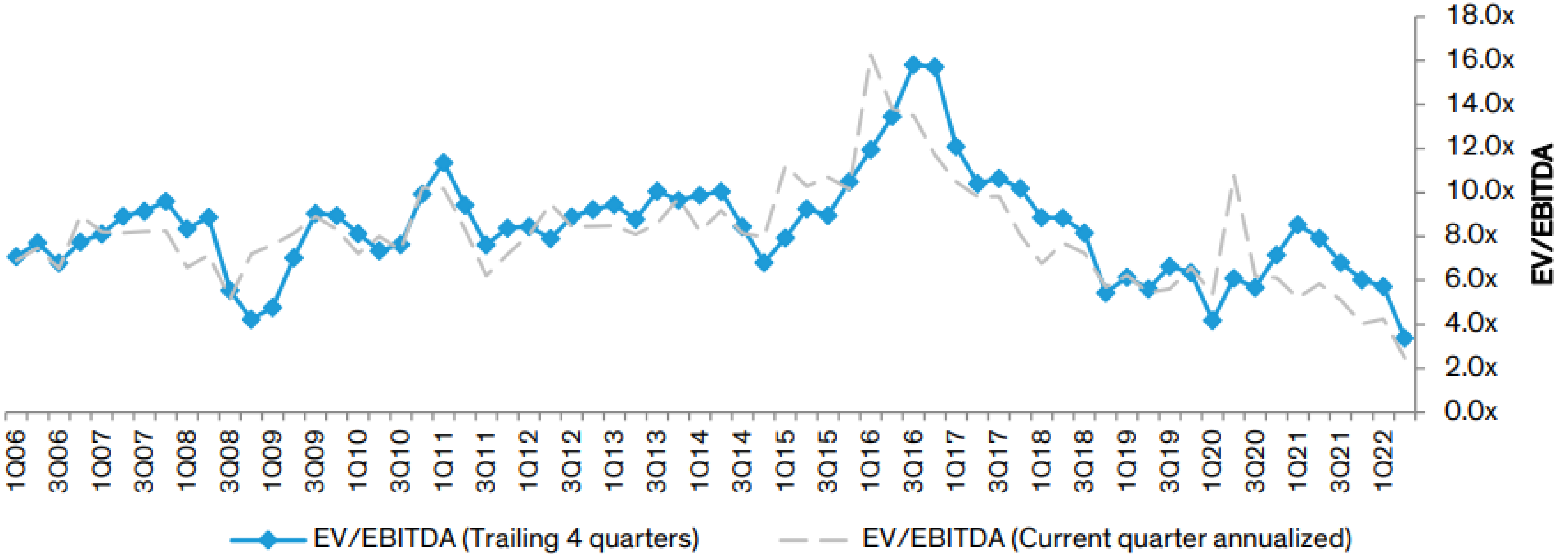
- **An undersupplied oil market should lead to incentive pricing** (US$80-90 per bbl.) to attract capital to develop new oil fields

- But ESG constraints and FoPD have become massive hurdles to final investment decisions (FIDs)

Higher prices (above 80-90$) are thus required to take these constraints into account, but at what level?

Oil remains very much hated

EXHIBIT 49 : **EV to EBITDA ratio**



It's still early in the oil cycle and there is no real consensus. Looking at current valuations, Mr. Market thinks that the companies' current earnings are not sustainable

Salmon. Supply does not meet demand

- The **Norwegian government proposed a new resource tax on the salmon sector, roughly increasing it from 20% to 60%!**

- We have not sold our shares and are awaiting developments, because the Government has left the door open for negotiations. **We were lucky that the new taxes caught us with a reduced sector weight**

- **If this resource tax is not changed, the sector will not be as interesting as during the last decade, because it is a regime change.** The sector's average profitability will drop, with fundamental changes in employment, investments, growth, dividends, etc.

Since it does not make any sense for the government to kill such an important sector for Norway (employment in Norwegian coastal areas; production of sustainable food, etc.), we believe that an improved agreement will be reached soon

LTIF Natural Resources. Conclusion: a long term super-cycle

- **The NR Fund is doing fine, up 60% in the past 2 years.** A bit more (5pp) if we mark to market our 3 Russian names

- **Broad picture remains unchanged.** The energy transition is developing as expected: a rapid increase in the demand of green metals and a very much constrained development of oil/gas projects

- **Russia** is adding more stress to the equation

- We remain convinced that we entered in a **commodities super-cycle**, longer than usual due to the green transition

- **Valuations in the oil/gas and metals/mining remain low, still below mid-cycle levels**

NR Fund should continue to do well in this scenario

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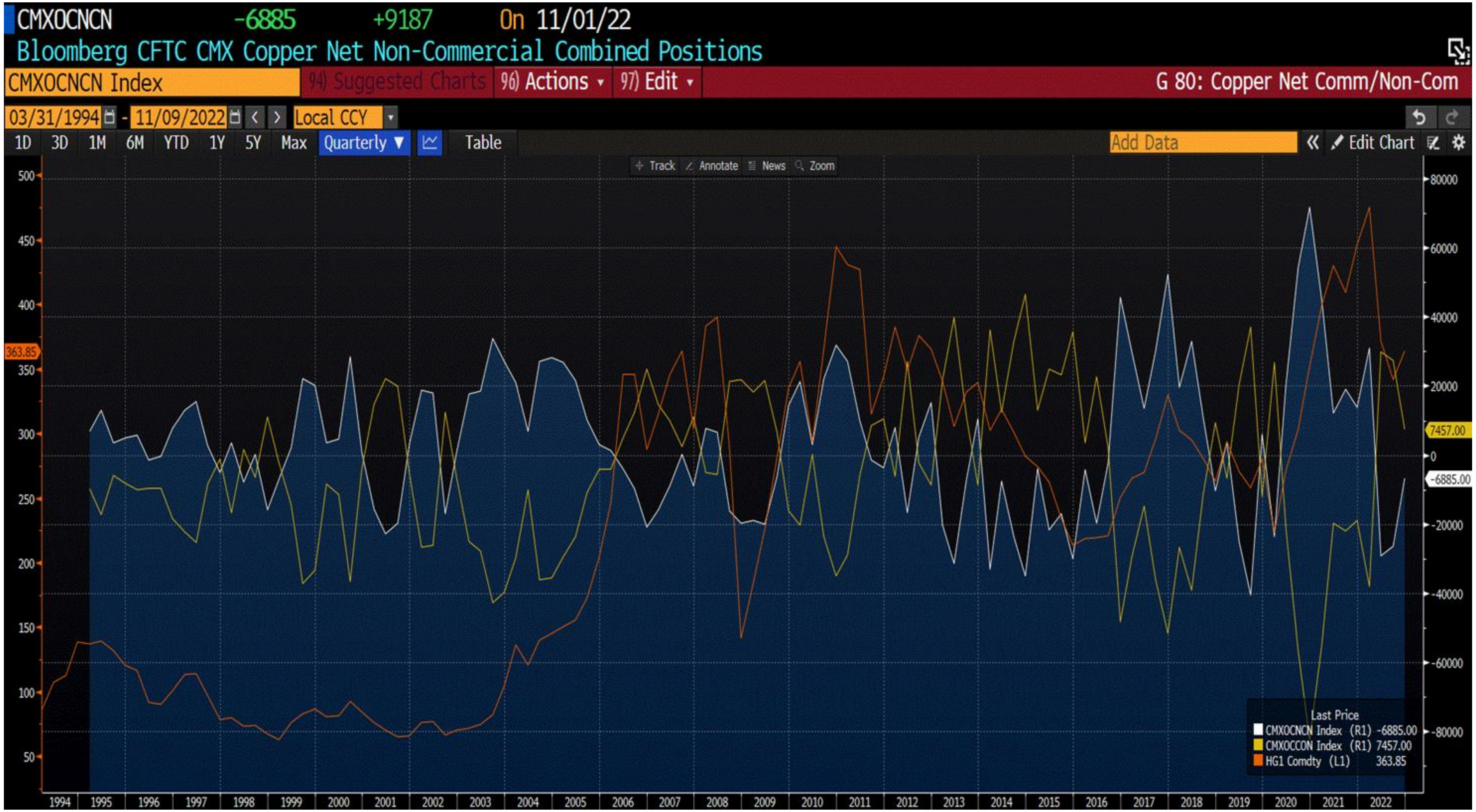
Last time this happened, copper doubled



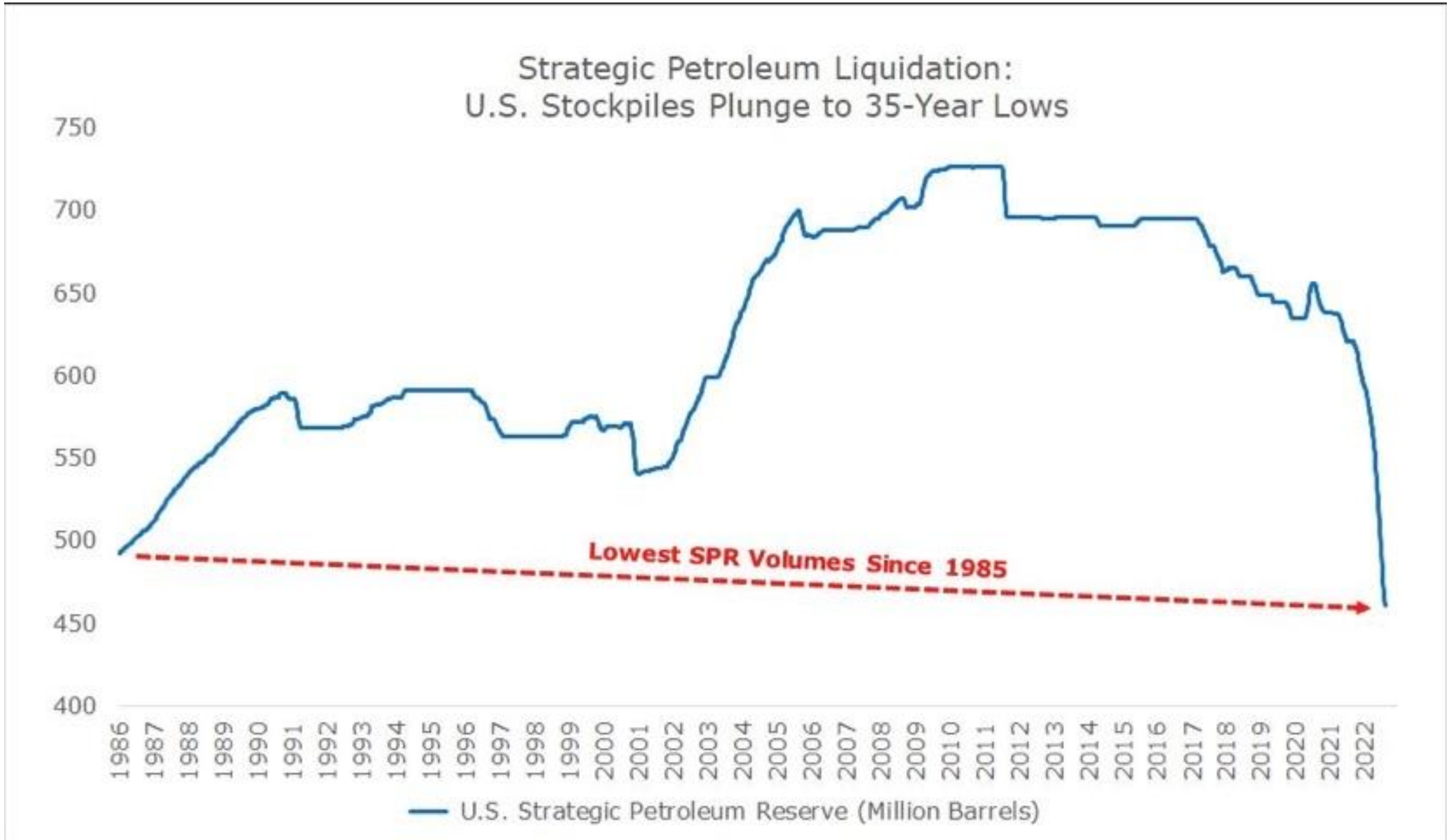
Source: Bloomberg

In an oversupplied market, it would be back to 30$

ICE Brent Crude Long Managed Money Longs have been reduced

Source: SIA Group / Bloomberg / ICE

Frightening! They have to rebuild the reserve again



Financial wizards against real world? Who will win?

Trafigura warns the world is running low on copper
Commodities trader expects further shortages as demand rises in energy transition (oct 2022)

'Strikingly Tight' Copper Market Belies Price Drop, Miner Says
•Metal buyers are 'fighting' to secure shipments: Freeport CEO (Oct 2022)

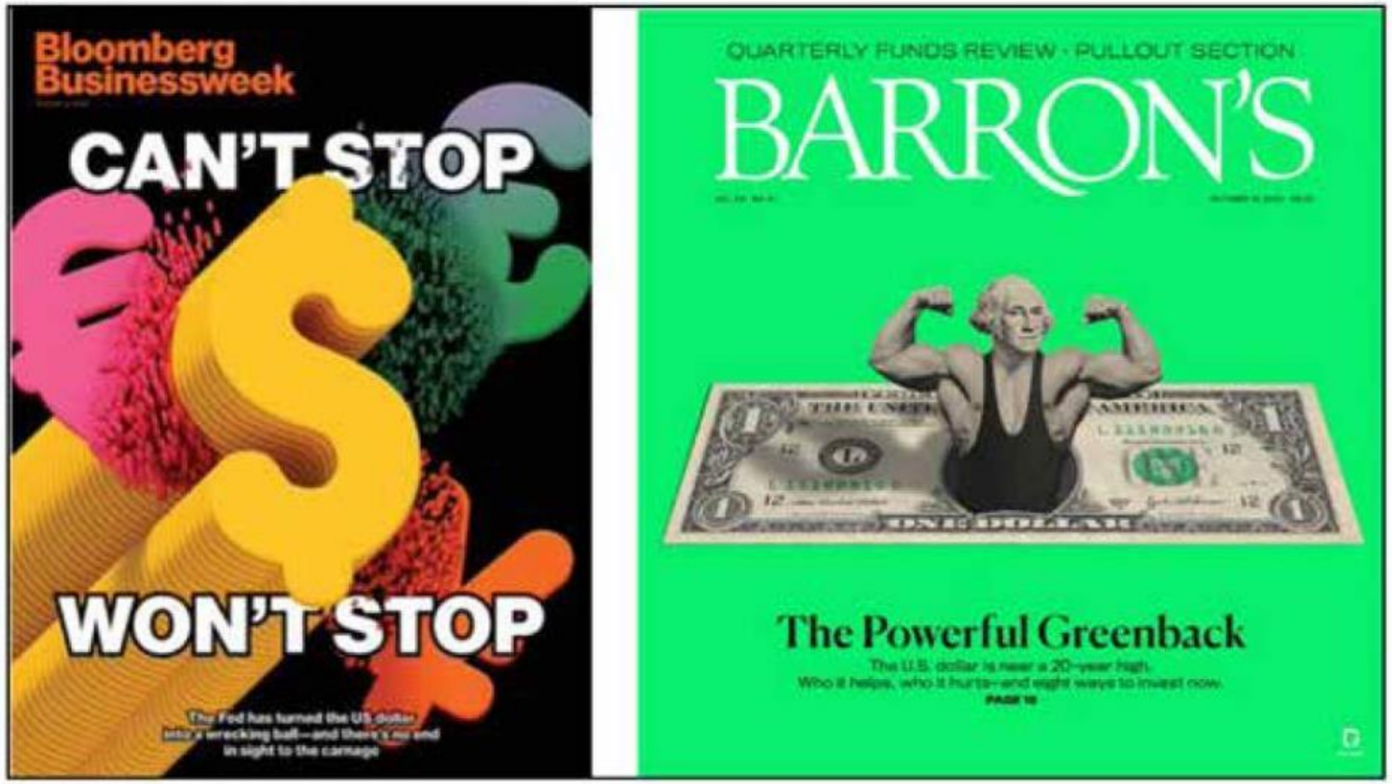
Chile's Codelco, the world's biggest copper miner, has agreed a record benchmark premium for European buyers at $234 a tonne for 2023, up 83% from this year, two copper industry sources said.
The premiums set by state-owned Codelco for physical delivery of copper are paid on top of the London Metal Exchange (LME) contract and serve as a benchmark for global contracts. (End Oct. 2022)

China May Switch to Russian Copper to Offset Possible Hike in Copper Prices Next Year
October 25, 2022
Currently, China is the largest consumer of copper globally. It is expected that in 2023, the country will purchase more copper from Russia in an effort to decrease the impact of the expected rise in premiums from other miners around the globe.

China's Billion-Dollar Cash-for-Copper Trade Grinds to a Halt
23 Oct 2022 — The **Chinese copper** market is at its tightest in more than a decade as traders pay massive **premiums** for immediate supplies.

Inflation is dead, etc. hangs next to it on the wall...

US Dollar Strength, according to *Bloomberg Businessweek* (of October 3, 2022) and Barron's (of October 10, 2022)



Source: Bloomberg, Barron's, Kevin Duffy (duffy@bearingasset.com)

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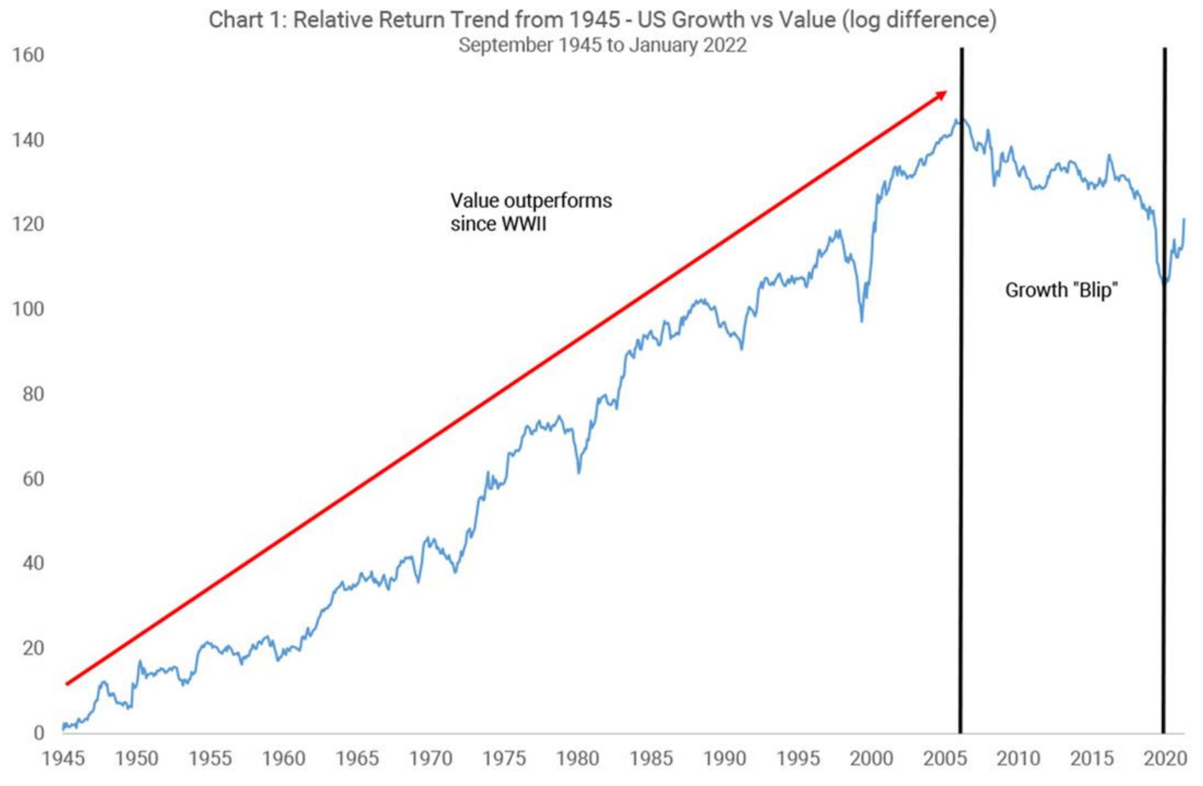
Value Works Long Term

- **Value clearly beats growth in the long term**

- Relative Return Trend from 1945 US Growth vs Value



Source: Fama & French

Look-through profitability

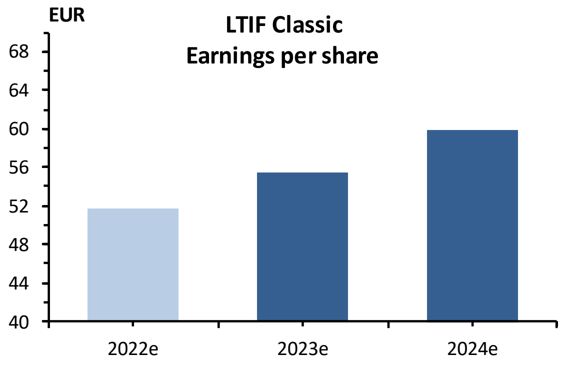
Date	NAV	%
31.12.2020	407.9	
31.12.2021	494.3	21.2%

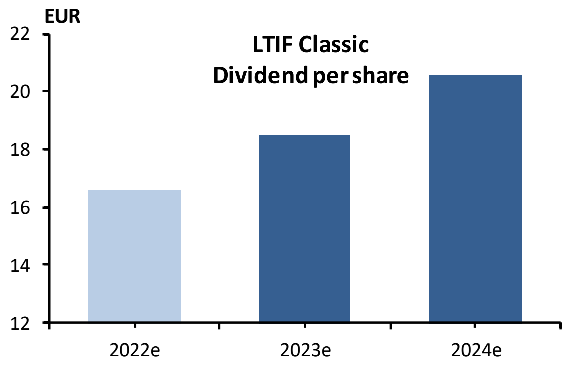
Reporting LTIF Classic as of 28.10.2022 (aggregated data in EUR)

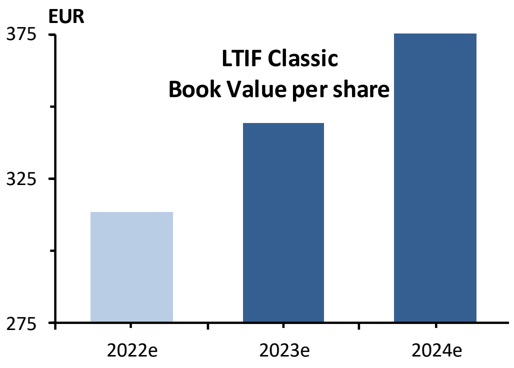
Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2022e	51.6		10.5	9.5%	17.0	5.9%
2023e	55.5	7%	9.8	10.2%	15.2	6.6%
2024e	59.9	8%	9.1	11.0%	14.2	7.1%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2022e	16.6		3.1%	2.2%
2023e	18.5	11%	3.4%	2.3%
2024e	20.6	11%	3.8%	2.4%

Year	BPS	%	P/B	MSCI World P/B
2022e	313.6		1.7	2.8
2023e	344.3	10%	1.6	2.5
2024e	379.3	10%	1.4	2.3







Source: SIA Group / Bloomberg

- Value means buying at a discount
- We usually look for 30% discount to IV
- Discount = risk management

LTIF Classic since 2002 (20 years+)

LTIFCLA LX € NAV 564.45 -0.32

On 23 Nov

LTIFCLA LX Equity | Settings | Comparative Returns

Range 01/14/2002 - 11/23/2022 Period Daily No. of Period 7618 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	LTIFCLA LX Equity	EUR	464.45%	464.45%	214.66%	8.65%
2)	MXWO000V Index	EUR	75.34%	249.79%	--	6.18%
3)	NDEEWNR Index	EUR	240.45%	240.45%	-9.34%	6.05%
4)						
5)						
6)						

1M 3M 6M YTD 1Y 2Y 3Y 5Y 10Y

Source: SIA Group / Bloomberg

LTIF Classic since September 2011 (4 Risk Cat.)

LTIFCLA LX € NAV 564.45 -0.32

On 23 Nov

LTIFCLA LX Equity | Settings | Comparative Returns

Range 09/30/2011 - 11/15/2022 Period Daily No. of Period 4064 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	LTIFCLA LX Equity	EUR	196.86%	196.86%	75.69%	10.27%
2)	WARVFA LX Equity	EUR	121.17%	121.17%	--	7.39%
3)	TWDBRWI LX Equity	EUR	122.31%	122.31%	1.14%	7.44%
4)						
5)						
6)						

1M 3M 6M YTD 1Y 2Y 3Y 5Y 10Y

Source: SIA Group / Bloomberg

LTIF Classic ex. US vs MSCI World ex. US

Source: SIA Group / Bloomberg

LTIF NR vs Benchmark very strong in positive markets

LTIFGEV LX € NAV 141.58 -0.25

On 23 Nov

LTIFGEV LX Equity | Settings | Comparative Returns

Range 03/23/2020 - 11/23/2022 Period Daily No. of Period 975 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	LTIFGEV LX Equity	EUR	200.40%	200.40%	40.20%	50.95%
2)	SPGNREN Index	EUR	160.20%	160.20%	--	43.05%
3)						
4)						
5)						
6)						

1M 3M 6M YTD 1Y 2Y 3Y 5Y 10Y

Source: SIA Group / Bloomberg

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