LTIF
Long Term Investment Fund

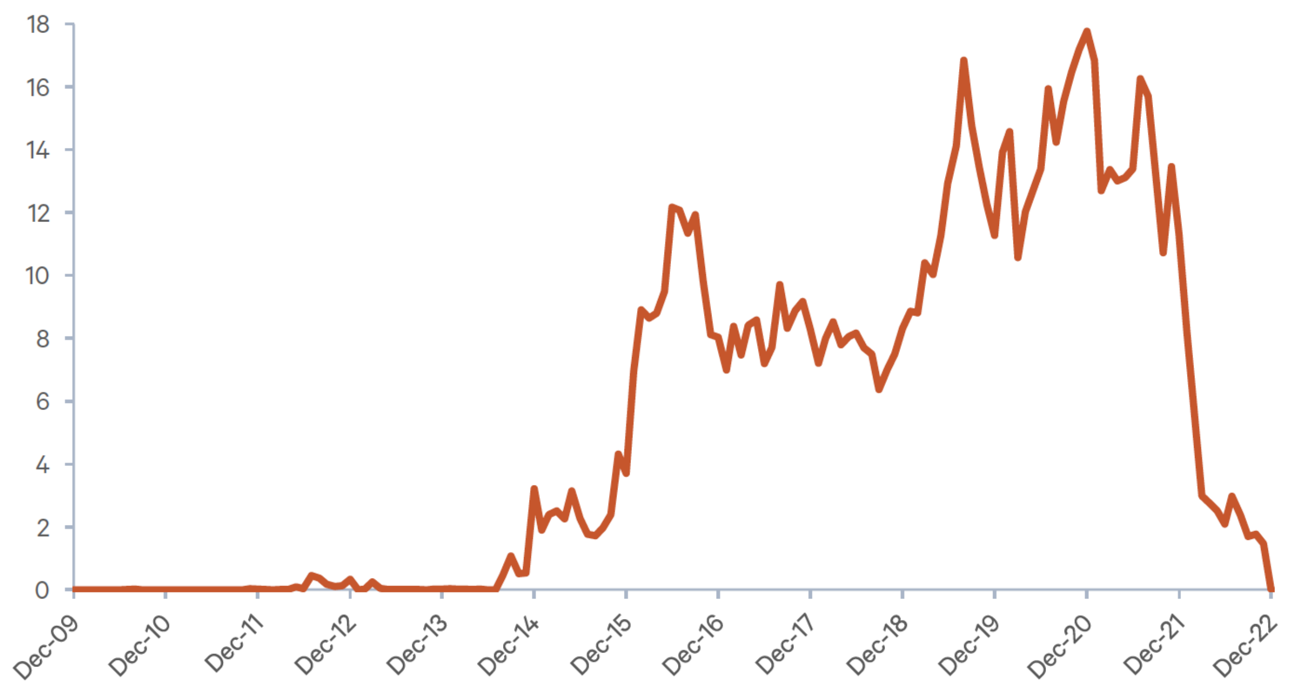
SIA Quarterly Update

February 24th 2023

Presentation Plan

- **Where are we? End of the post-GFC cycle**
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +14% in 2022. Good start to 2023
- Quarterly investment cases: Pandora, Grifols, Harbour
- The LTIF NR: +13% in 2022. Good start to 2023
- Natural Resources Thoughts *by Urs Marti*
- Final Remarks

Where are we? Economic Downturn



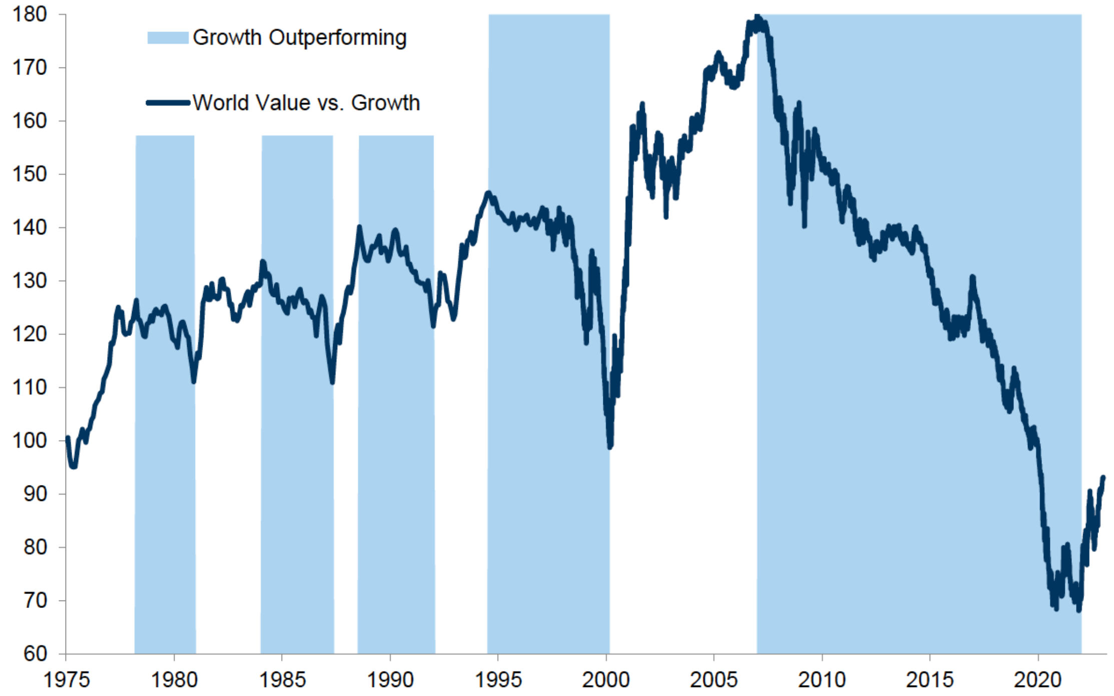
Source: Berenberg research, Bloomberg

- Unique decade
- Low rates & huge liquidity
- All valuations up
- Past 10Y SPX 13% CAGR
- Past 10Y NDX 17% CAGR
- Positive growth, tech
- Strange animals came to life: Crypto, SPACs, Meme stocks, CFOs
- Bonds, Real Estate, and some other asset classes over valued

Following the GCF we have been in a *free money party* which is now over. Time to get back to normal

Back to the real world

Growth has outperformed since the GFC
MSCI Indices. Relative price performance in local currency*.



** Monthly Frequency until 1996. Daily Frequency from 1997 onwards.*

Source: Datastream, Goldman Sachs Global Investment Research

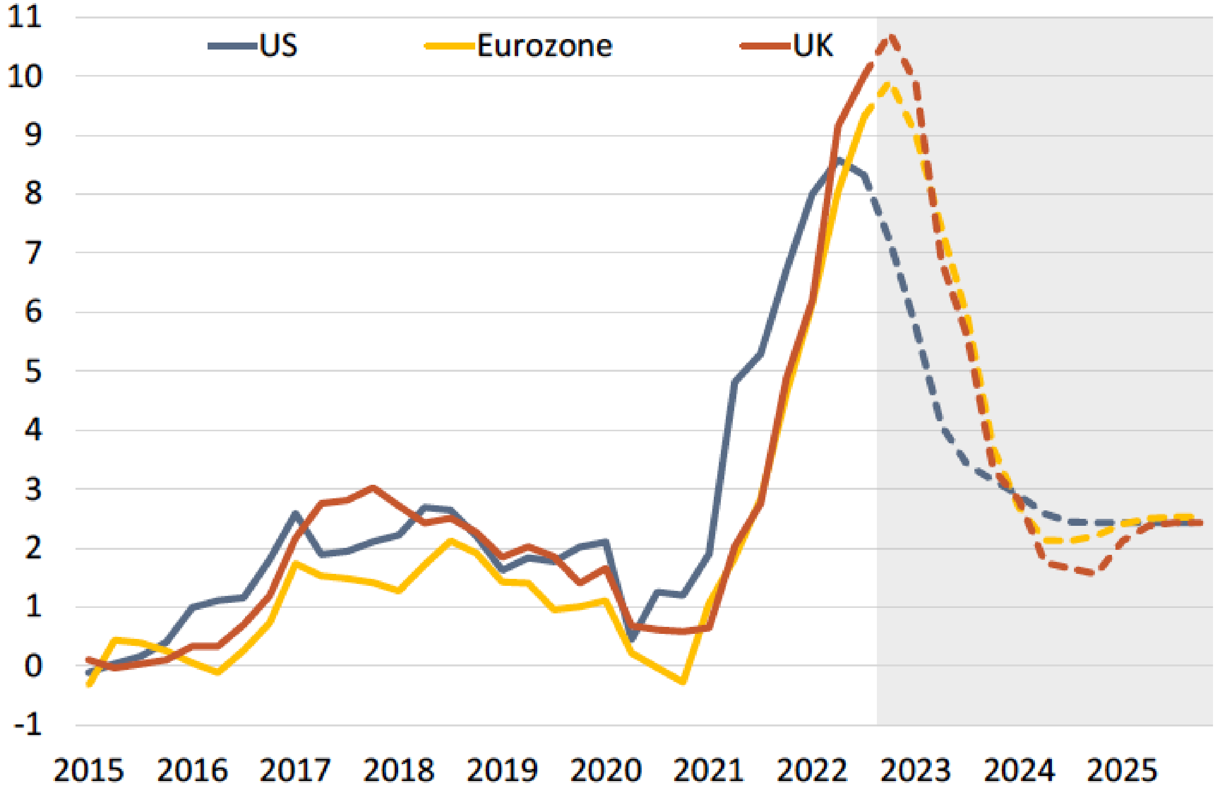
Global Investment Research

- Higher inflation and rates
- Higher commodity and energy prices
- Higher capex (supply chains, underspending..)
- Higher infrastructure spending
- Energy transition
- Valuations, cashflows, fundamentals, value are back

Less virtual and more real. Energy transition and capex

Inflation down in 2023 and 2024

Beyond the peak: US, Eurozone and UK inflation

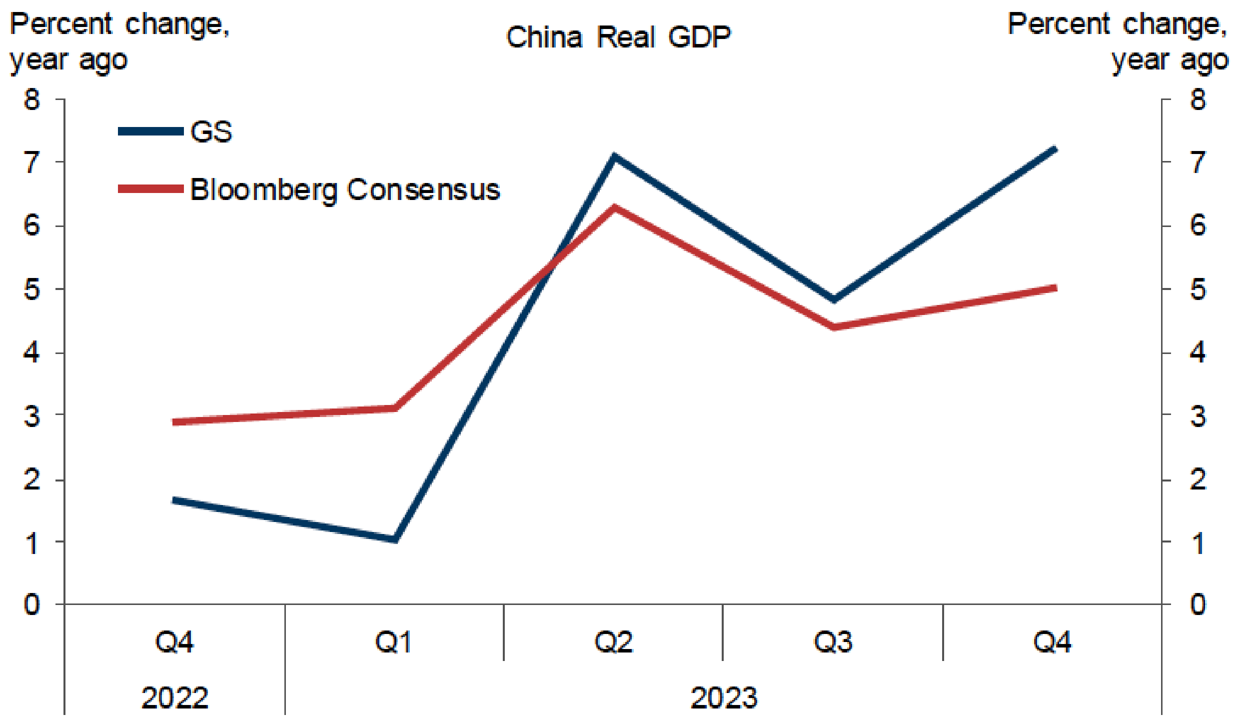


Shaded area: Berenberg projections; quarterly averages, yoy change in %. Sources: BLS, ONS Eurostat, Berenberg

- Inflation has peaked
- 2023 and 2024 will be normalisation years
- Prices of goods have already normalised
- Labor and services will take longer
- Back to normal in 2 years
- Higher energy prices and tight labour will keep inflation higher

Higher inflation and rates: business as usual

Inflation China will lead the recovery with some delay in 2023



Source: Haver Analytics, NBS, Goldman Sachs Global Investment Research.

Global Investment Research

Negatives

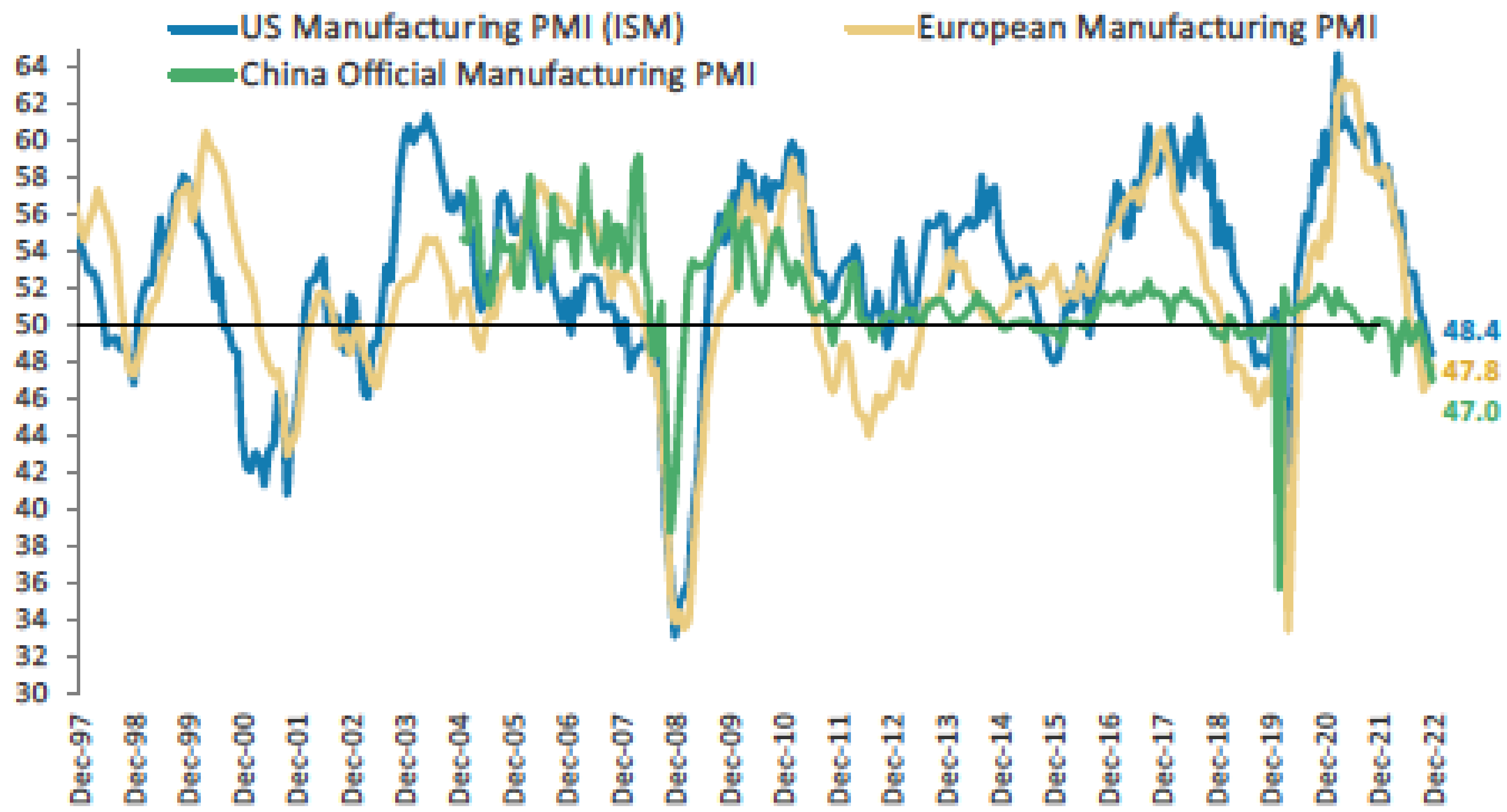
- Property
- Consumer

Positive factors

- Covid19 reopening
- Monetary and fiscal easing
- Public support to property
- Infrastructures
- Replacing Russia

China is accelerating. 5-6% GDP growth expected for 2023

Patience Required



Source: Markit, ISM, Morgan Stanley Research

- PMI cycle: 2 years from peak to through
- 1 year from 50 to trough
- The industrial cycle just crossed 50
- We think a slowdown or mild recession is the base case scenario

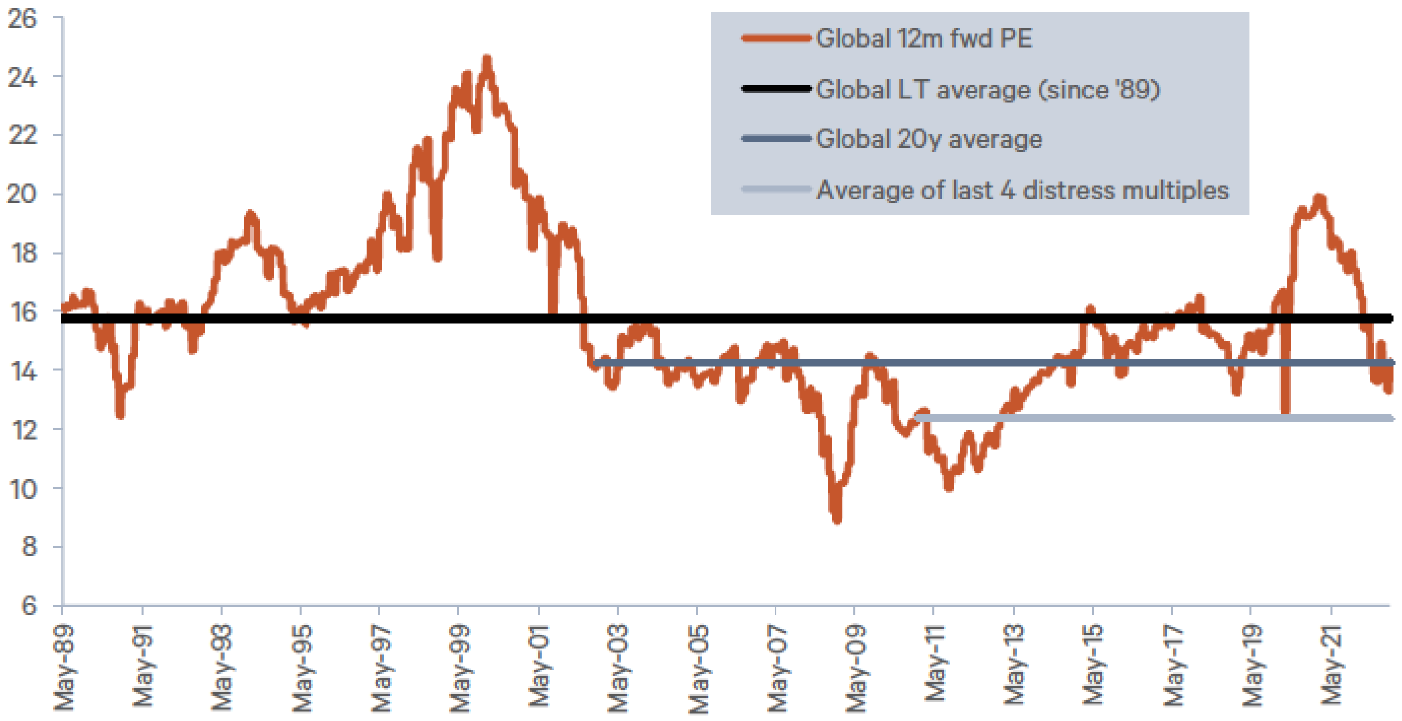
Not yet out of the woods

The end of the post-GFC cycle

- 3 out of 4 **leading indicators negative**: PMIs, earnings downgrades, liquidity. China turned positive
- **Ending the cycle that started after the GFC**, briefly interrupted by Covid19. The **new cycle will start when PMIs trough**, around the end of 2023
- We do not really care: **our investments will withstand any scenario.** However we are conservatively managing our funds
- **New cycle:** energy transition; supply chains; infrastructures; capex cycle; labour, energy and commodities scarcity; digitalisation; virtualisation; IoT …

From an investment perspective, corrections and slowdowns/recessions usually are great investment opportunities. Fear greatly raises future returns.

Valuation looks just fine

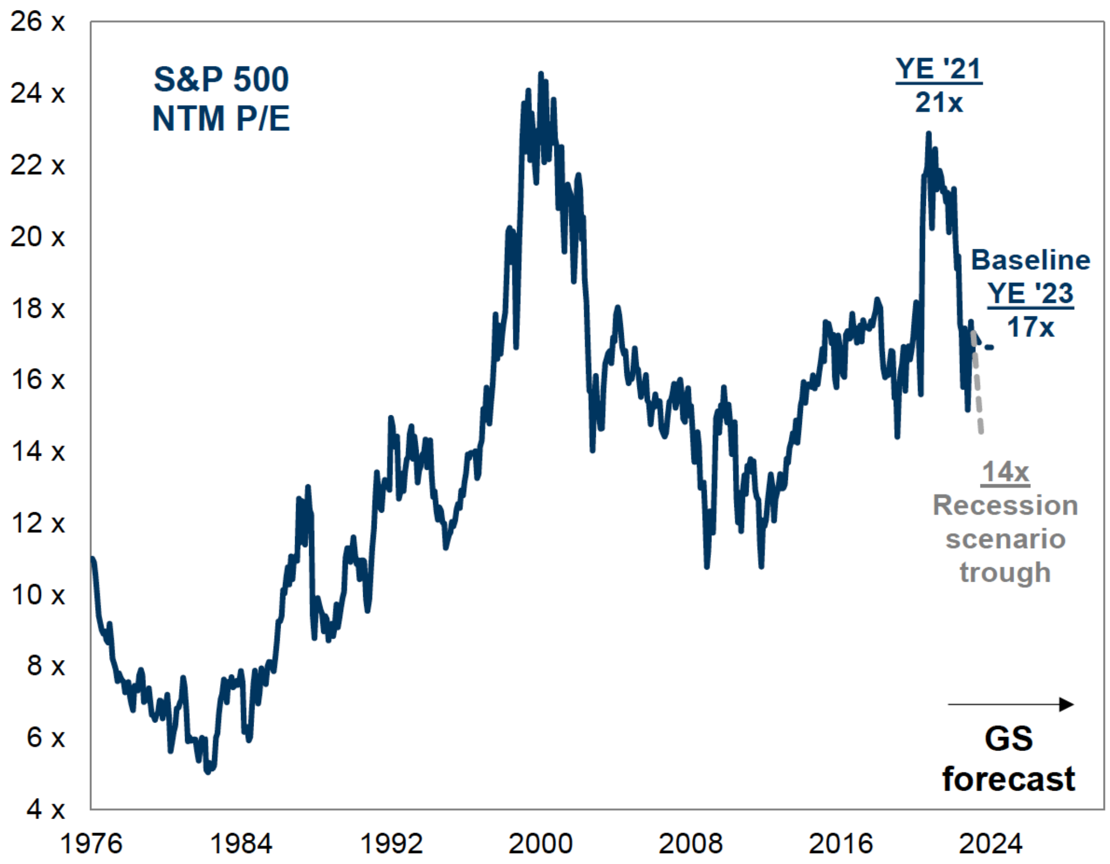


- Global equities: neither expensive nor cheap
- Expensive Sectors: Industrial, Tech, Growth
- Cheap sectors: Banks, Energy, Materials, Value
- Sectors fair: Consumer, Healthcare, Insurance

Source: Berenberg research, Eikon

We only find 2 sectors expensive: tech and industrials

US market trades at 17x earnings



Source: Goldman Sachs Global Investment Research. As of January 12, 2023.

Global Investment Research

- SPX fair: PER 17x
- Europe cheap: PER13x
- EM: cheap but affected by geopolitics (RUS;CHI)
- Nasdaq still expensive

We only find 1 index expensive: Nasdaq

Presentation Plan

- Where are we: End of the post-GFC cycle
- **Out of the Box *by Jose Carlos Jarillo***
- The LTIF Classic: +14% in 2022. Good start to 2023
- Quarterly investment cases: Pandora, Grifols, Harbour
- The LTIF NR: +13% in 2022. Good start to 2023
- Natural Resources Thoughts *by Urs Marti*
- Final Remarks

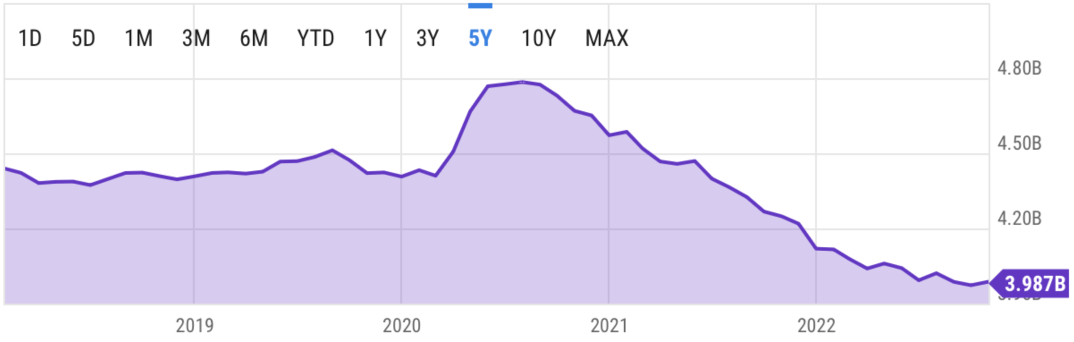
Inflationary pressures are going down, but…

In commodities, Supply must meet Demand in real time, with the "slack" afforded by inventories.

When inventories are empty or full, the balance must be done through price, ***at any any price***:

Inventories above ground of oil have been depleting

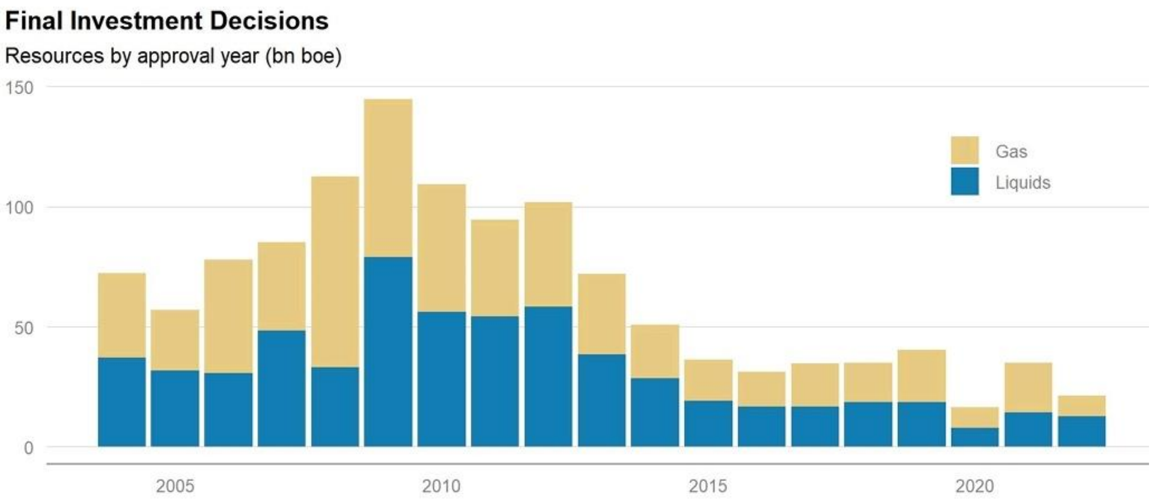
World oil inventories



Source: Energy Information Agency

But, more important, so have "inventories in the ground" (reserves)

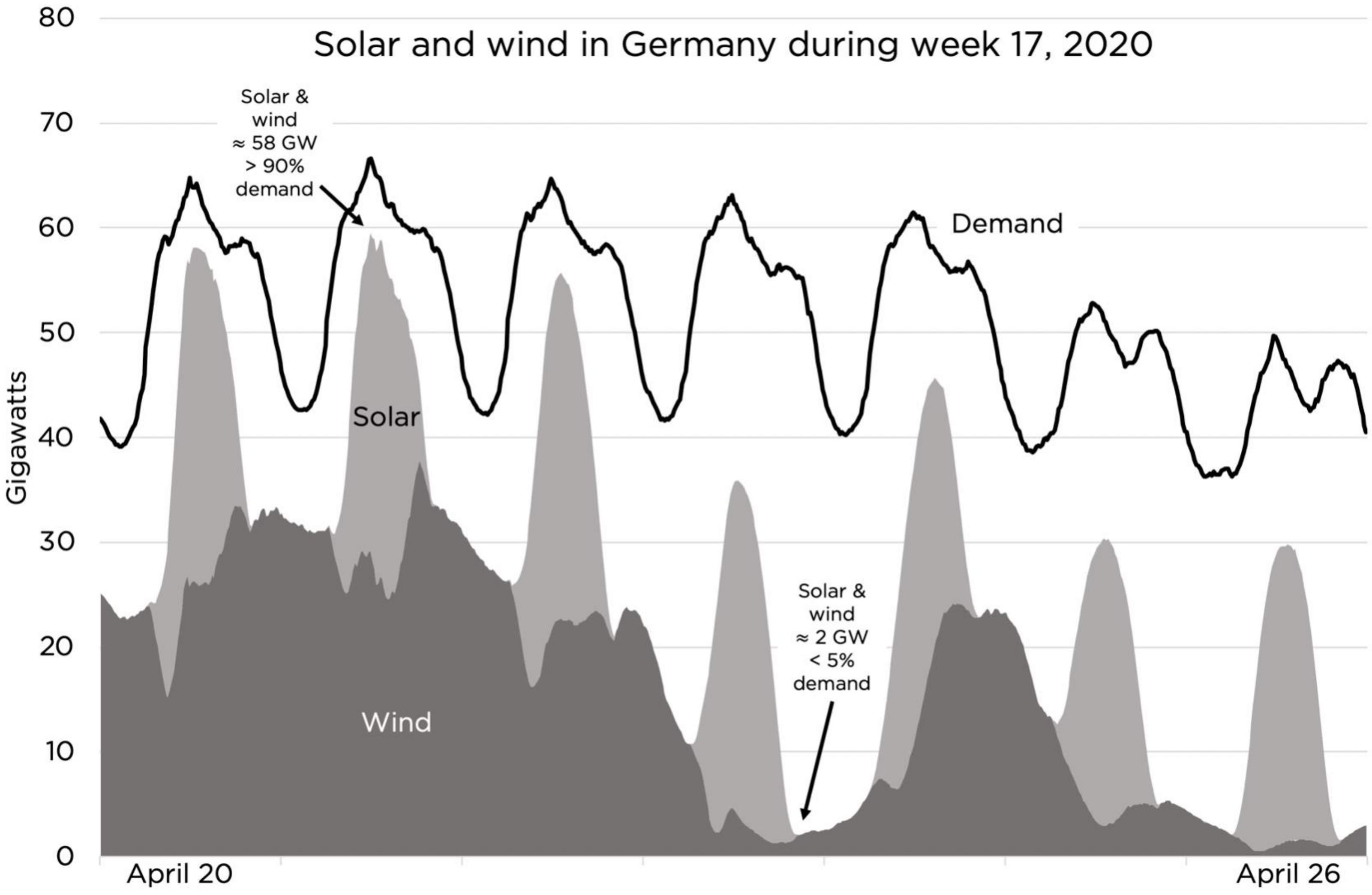
Exhibit 20: Projects that passed FID in 2022 account for just 12.7bn barrels of future oil production; after 2020, the lowest level in ~20 years.



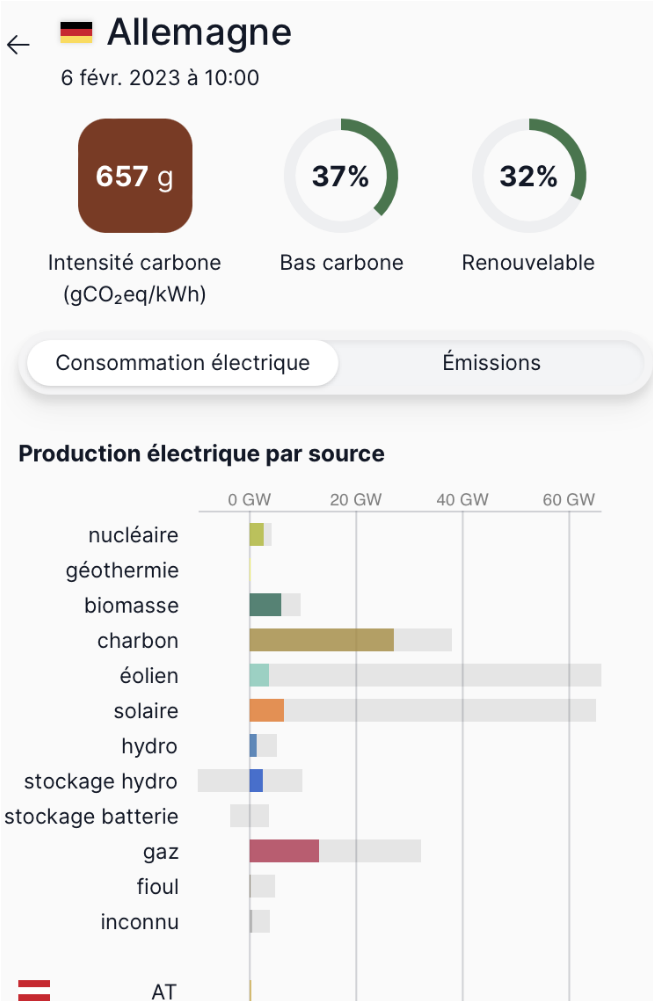
Source: Rystad Energy, Morgan Stanley Research

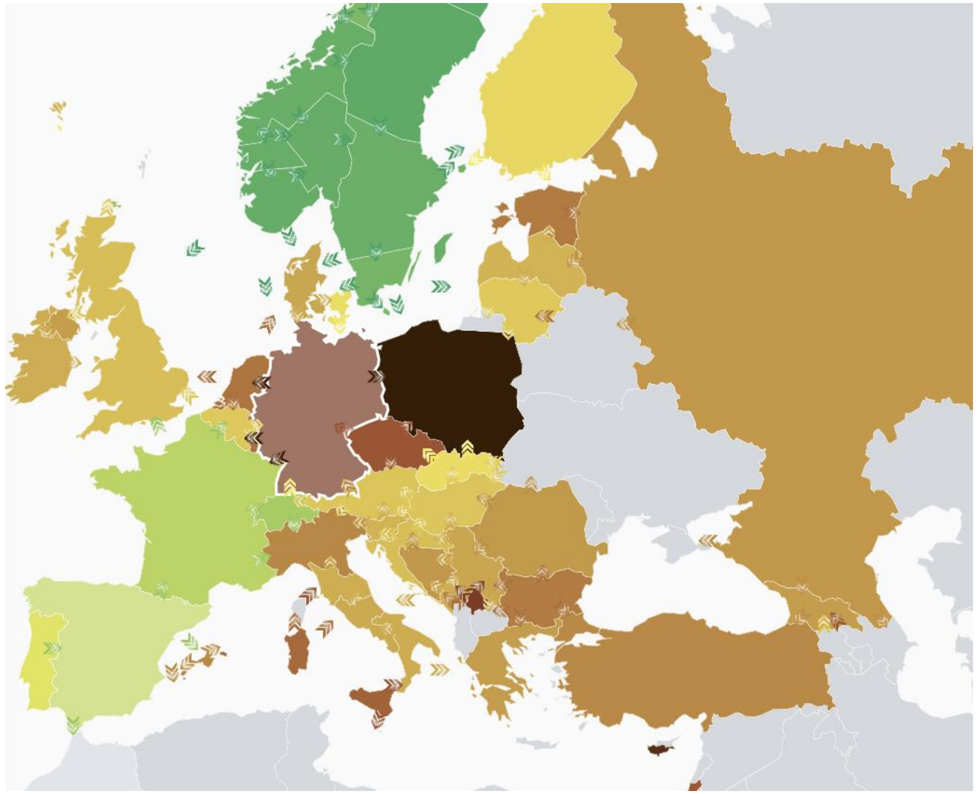
Most investment has gone to renewable energies

But, unfortunately, they cannot ensure constant supply: there is no inventory for electricity



The results are unexpected, and expensive





This will end up having an impact on overall costs, stoking inflationary pressures

Presentation Plan

- Where are we: End of the post-GFC cycle
- Out of the Box *by Jose Carlos Jarillo*
- **The LTIF Classic: +14% in 2022. Good start to 2023**
- Quarterly investment cases: Pandora, Grifols, Harbour
- The LTIF NR: +13% in 2022. Good start to 2023
- Natural Resources Thoughts *by Urs Marti*
- Final Remarks

LTIF Classic: good 2022, +14%

- **Good 2022, +14%, slightly higher than our target of 10% and well above most indices.** Recovering from early investments in commodities
- **The best sectors were Industrials (defense, cables, aerospace), energy (oil) and Consumer (takeover bid for Devro and services, cleaning and catering).** Top names: Thales, Devro, Cenovus, EOG, Hess, ConocoPhillips
- **The worst sectors were Salmon (huge resource taxes), Health (Grifols), and Technology (ASML).** Leroy Seafood, Mowi, Pandora, Grifols, Medtronic, Harbour Energy and HudbayMinerals.

Pleasing 2022. Good start to 2023

LTIF Classic: Strategic Value

Some investors do not find the Classic interesting enough, not having a theme, an idea, a narrative with great prospects… something that attracts

Our answer is twofold:

1) **the main factor of the Classic, value**, beats growth and global stock indices in the long run and
2) **Strategic analysis.** Salmon supply, Aerospace growth, Defense investment, Power Cables ahead of the energy transition, underinvestment in Fossil Fuels, Metals for electrification, digital Payment Methods, cleaner Cement, Semiconductors in a digitized world, increased use of Plasma Proteins…

This is pure Classic: sectors with solid prospects, quality companies, all at an interesting discount. We call it *Strategic Value.*

Quality and value

Top 10 Holdings LTIF Classic

Name	Weight
ING Groep NV	5.8%
Grifols SA	5.0%
ISS A/S	4.9%
Cenovus Energy Inc	4.8%
Sodexo SA (CFD)	4.7%
HeidelbergCement AG	4.7%
Unilever PLC	3.9%
Thales SA	3.8%
Suncor Energy Inc	3.7%
MTU Aero Engines AG	3.7%

The 4 G's:

- **Good Business** (franchise, returns)
- **Good Management** (shareholder value)
- **Good Balance Sheets** (low leverage)
- **Good Price/Return** (discount)

Energy (oil & gas) remains our only concentration factor

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

The Classic (EUR 590 per share). IRR@14%. IV@ EUR 865 p.s.

- The takeover bid for Devro and a **conservative positioning** have had a slightly dilutive effect on IRR and IV.
- Based on our estimates and historical market valuations **we set our NAV target at EUR 625 per share for 2023.**
- **We should not be far from EUR 1000 per share in 2028,** thanks to the magic combination of compounding returns and the long term.
- We do not target alpha generation as we do not know what Mr. Market will do. It is rather the consequence of our goal of 10% annual return. If we do that, we will generate an alpha of 3-4 points per annum, on average, over the long term

The Classic expected IRR, less fees, is around 12% which means doubling the investment in 6 years. The SIA team is heavily invested in the Classic

Presentation Plan

- Where are we: End of the post-GFC cycle
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +14% in 2022. Good start to 2023
- **Quarterly investment cases: Pandora, Grifols, Harbour**
- The LTIF NR: +13% in 2022. Good start to 2023
- Natural Resources Thoughts *by Urs Marti*
- Final Remarks

Quarterly Investment Case: Pandora (620 DKK)

- **Earnings risk** due to the economic slowdown/recession. Pandora is a consumer discretionary business and as such vulnerable to downturns.

- The **restructuring outcome** has yet to be proven.

- In our view **Pandora is a great business**
    1) Restructuring is progressing well, and Pandora is ready to keep growing, except for China
    2) The slowdown/recession will not cause structural damage (affordable jewelery)
    3) The management team and balance sheet are very solid

- PER23 10x. **IV: 1200 DKK.** IRR: 21%.

Mr. Market is fearful about Pandora. Be greedy.

Quarterly Investment Case: Harbour Energy (300GBp)

- We have known Harbour Energy for more than a decade: the company resulting from the **merger between Premier Oil and Chrysaor.**

- **Reasons not to buy Harbour:** small E&P in the North Sea, higher taxes, low 7-year reserves and exposure to the oil and gas cycle. High risk stock.

- **The assets are TIER3, but they have been operating normally for many years**, the management team is excellent, and they have virtually no debt.

- **Valuation is a mistake:** 2022 FCF was $2bn vs. a market cap of $3bn and no debt. PER23E 3x. **IV: GBp 750**. IRR: 23%. Harbour can buy back the company in 1.5Y.

Is Harbour Energy cursed? Never goes up even with higher oil prices?

Quarterly Investment Case: Grifols (8,4 EUR)

- Positive opinion on the **strategic shift** that is taking place at Grifols: focus on returns on investment and minority shareholders.
- We **assume a gradual improvement of the business in the coming years**, after a strong impact of Covid19 and past mistakes, such as high debt or too many acquisitions.
- We believe that **the company will recover margins and pre-covid19 profitability.**
- Clear **de-leverage path** set by management, including disposals.
- PER23E 11x. **IV: EUR 23**. DKK. IRR: 22%.

Grifols is moving in the right direction

Presentation Plan

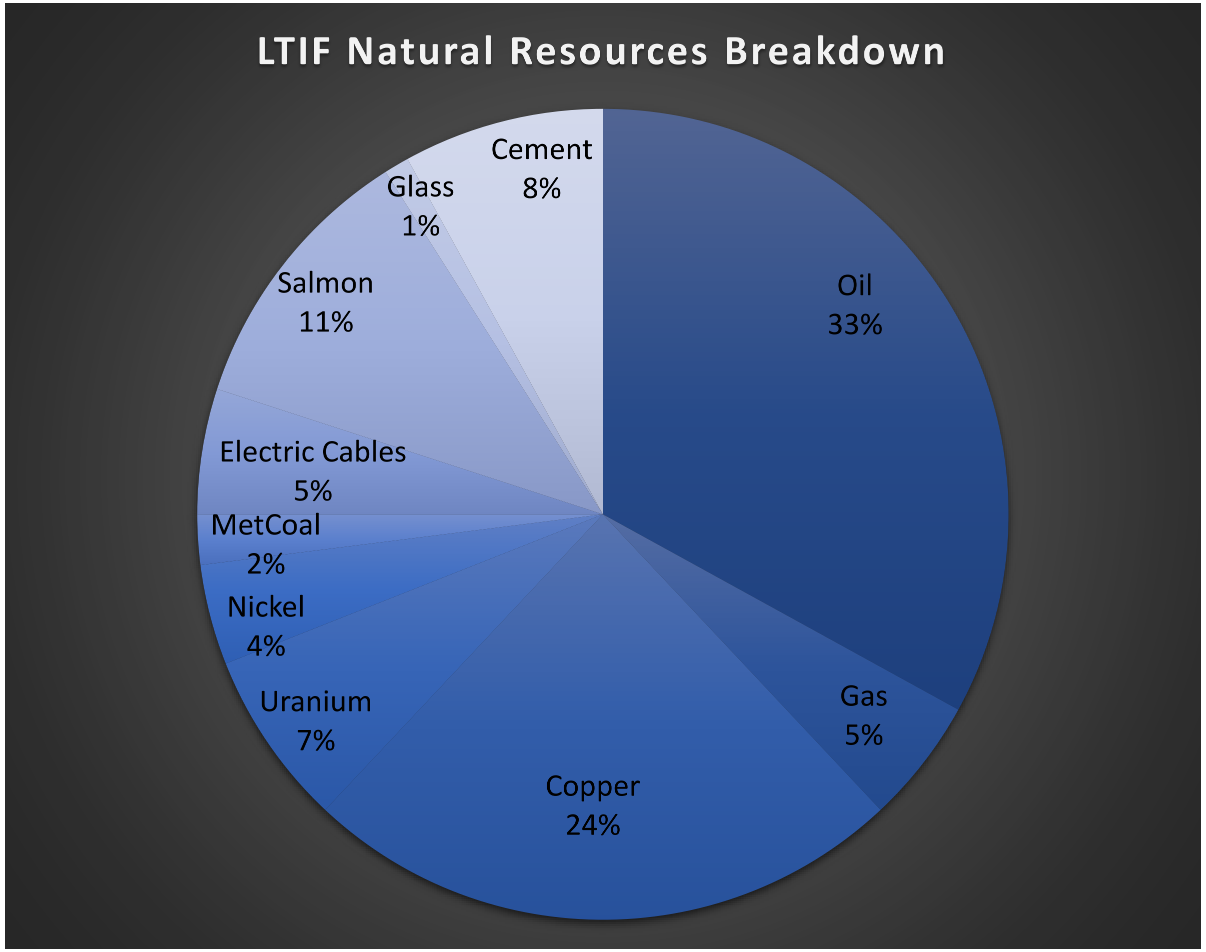
- Where are we: End of the post-GFC cycle
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +14% in 2022. Good start to 2023
- Quarterly investment cases: Pandora, Grifols, Harbour
- **The LTIF NR: +13% in 2022. Good start to 2023**
- Natural Resources Thoughts *by Urs Marti*
- Conclusions

The NR Fund: positioned for a LT cycle

- We believe that **a commodities supercycle has started**. Not talking about demand. Talking about supply
  - **Energy**: underinvestment since 2014 is leading to a structurally undersupplied market. Nobody wants to invest in oil on ESG and FOPD
  - **Metals**: underinvestment and massive demand driven by the electrification of the global economy
- **LTIF NR progressing well:** +41% in 2021 and +13% in 2022 (+17% adj.)
- We are convinced that this is **only the beginning** of a long commodity cycle.

This commodity super-cycle will be of long duration due to underspending, ESG constraints and Russia. FOPD is having a huge impact 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**

- **Energy**
- **Metals**
- **Infrastructures**
- **Agrifood**

We only invest in companies

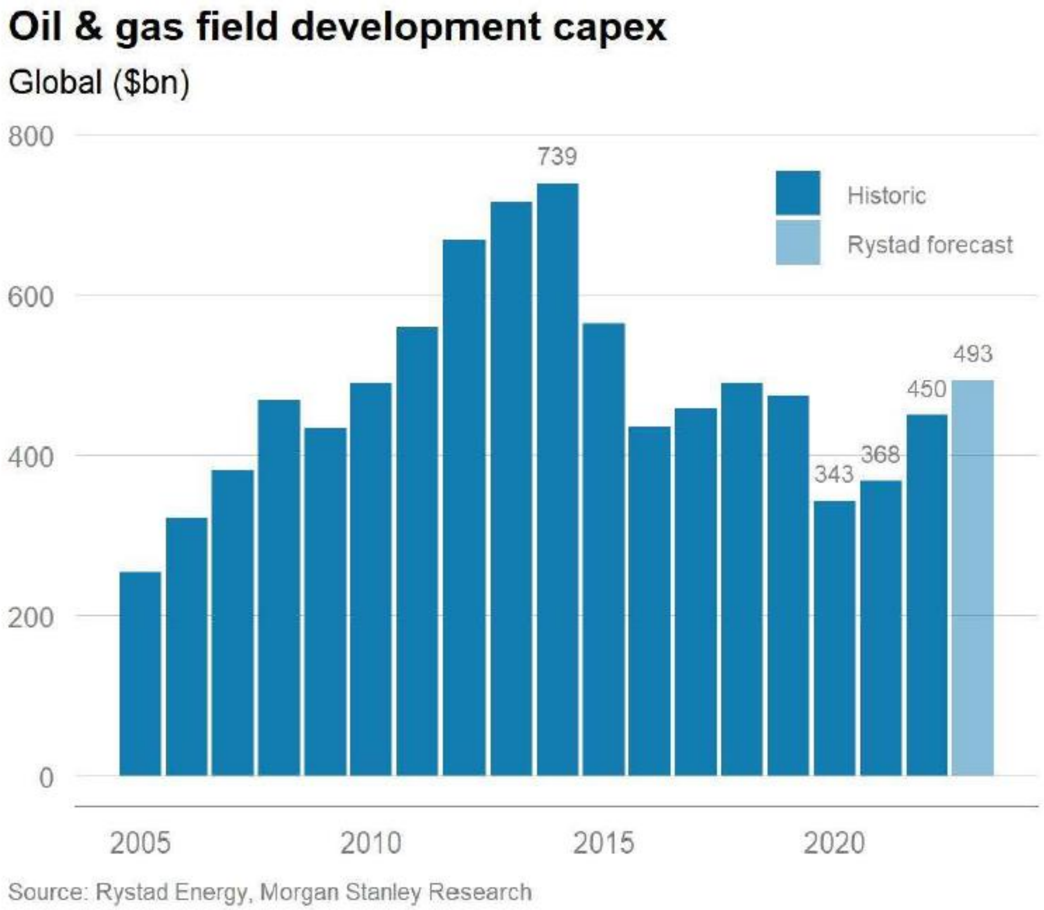
The NR Fund (EUR 150 p.s.): IV of EUR 208 p.s.. IRR: 14%

- **LTIF NR (EUR 150 p.s.) trades at an IRR of 14% and an IV of EUR 208 p.s.**
- These numbers are made with **commodity prices and DCFs at mid-cycle**. In our super-cycle scenario, the potential is way higher.

  At oil $80 WTI, Cenovus generates a FCF per year of 20% of its mkt. cap. i.e., you "recover" the entire capitalization in 5 years. How much is then CVE worth if prices remain at $80+ over a long period of time? And how much if oil price were to stabilize at $150 per barrel?
- This is what we mean when we talk about super-cycle: **prices & earnings well above the mid-cycle level for a long period of time**.
- How much would the LTIF NR be worth if our super-cycle scenario materializes? Well, a lot,… no need to put a number. ***Enjoy the ride.***

EUR 300 p.s. (>2x the current NAV) should be feasible in the next few years as we will be fully exposed to a long super-cycle

Oil Market: incentive price 125/150$

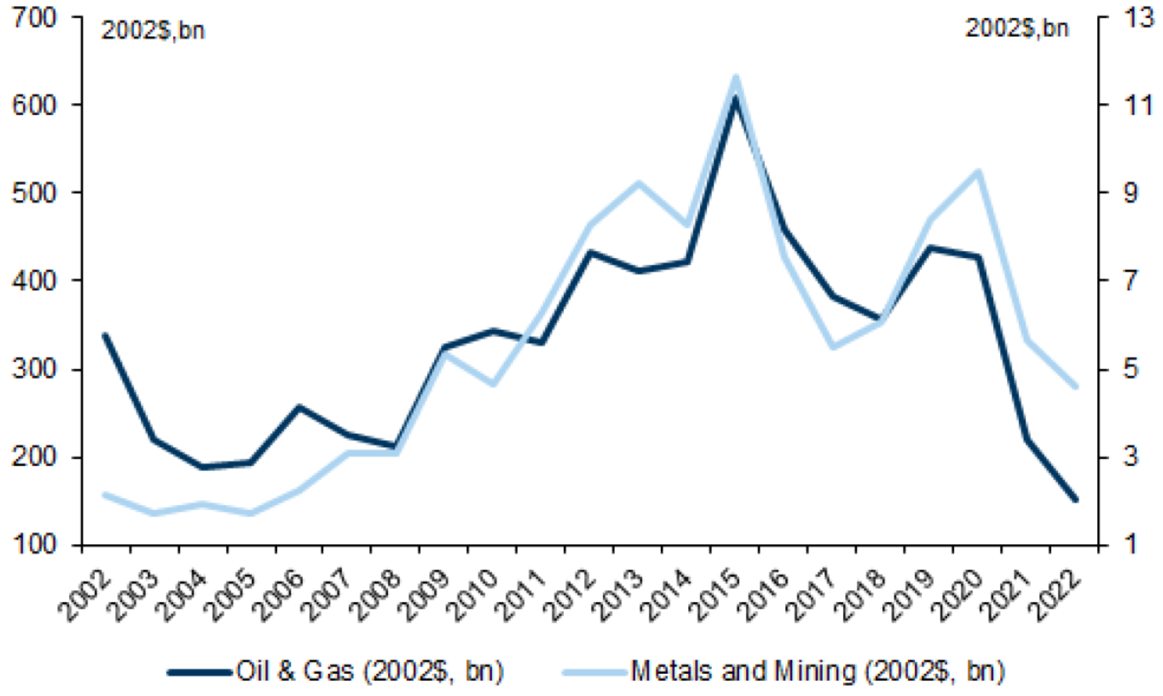


- Market is undersupplied
- Spare capacity is 3m b/d
- Need to raise capex
- But this is not happening at current prices on
  1) Fear Of Peak Demand
  2) ESG
  3) Taxes
  4) Financial discipline

Higher prices (above 80-90$) are thus required to take these constraints into account. Last approved projects IRR is 25-30%

Copper: structural deficit by 2025

Oil & Gas and Metals and Mining (rhs) real capex in 2002 dollars



Source: Goldman Sachs Global Investment Research, Baker Hughes

- Supply 2022: 23mn tns
- Demand 2050: 50mn tns
- Lack of spending on
  1) Country Risk: Cobre Panama
  2) ESG (Environmental) constraints
  3) Increased taxes in most producing countries
- Higher incentive prices

It is evident to us the mined copper will not be able to satisfy demand. We will need new mines, scrap and substitution through aluminum

Salmon. Raising our exposure

- A **new resource tax** is being discussed in Norway. The likely scenario is higher taxes, but below the initial proposal of an extra 40%
- In this scenario **the sector can still generate decent returns** on investments, keeping capex and growth estimates unchanged
- We have **raised our exposure to salmon from 5% to 10%+.** Should we be wrong, and the initial proposal kept, upside would be lower the downside would also be very limited
- **Biomass in December:** Norway +2% Chile -5%. Supply struggling, as usual. Higher taxes do not really help

We think that the Government will approve a more balanced resource tax plan, allowing the sector to keep its positive outlook

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

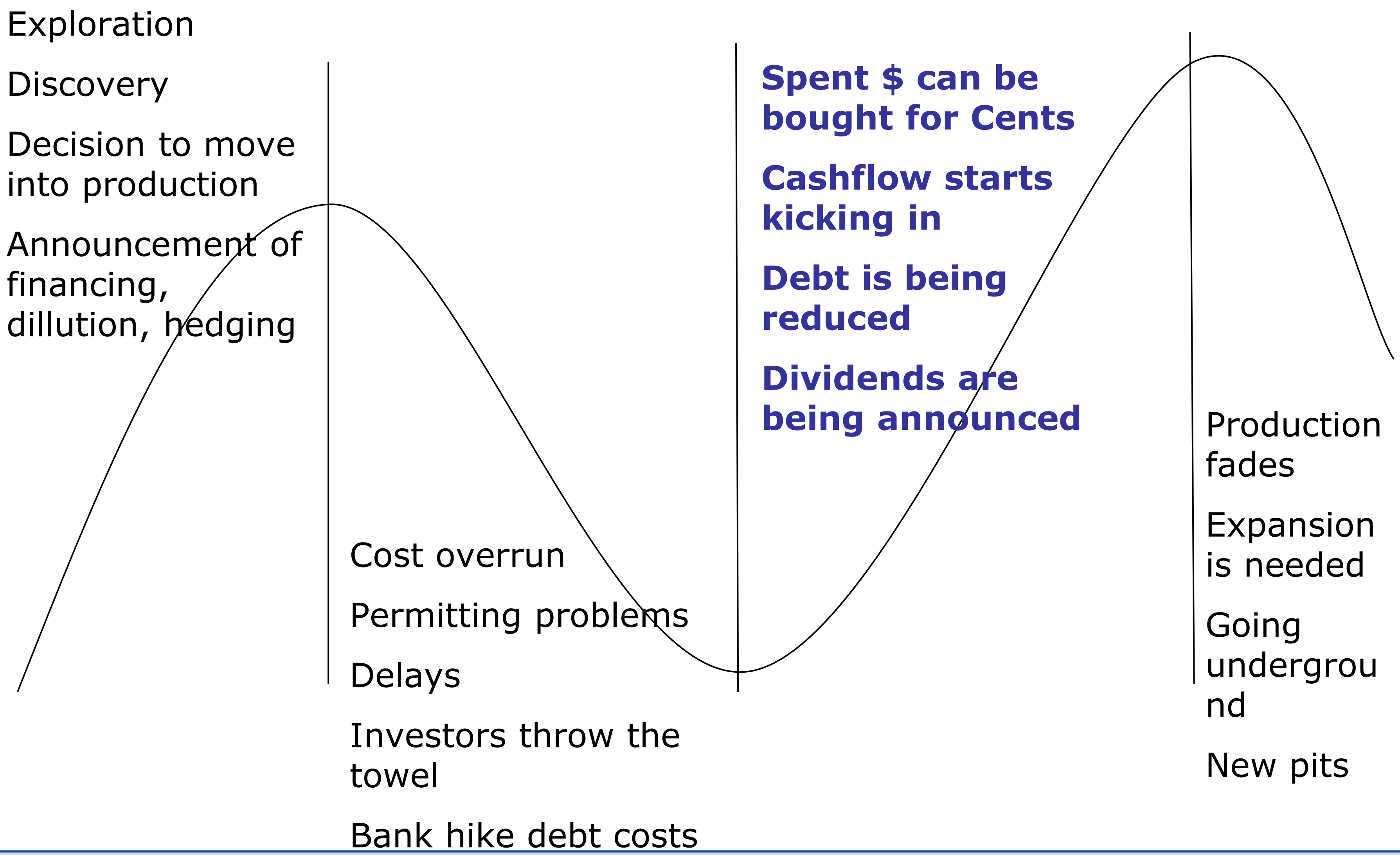
- **The NR Fund is doing fine, up 60% in the past 2 years.** Only the beginning
- **Broad picture remains unchanged.** The energy transition is developing as expected: a rapid increase in the demand of green metals and a very much constrained development of oil/gas projects
- **Russia** is adding more stress to the equation
- We remain convinced that we entered in a **commodities super-cycle**, longer than usual due to the energy/green transition
- **Valuations in the oil/gas and metals/mining remain low, still below/around mid-cycle levels**

NR Fund should continue to do well in this scenario

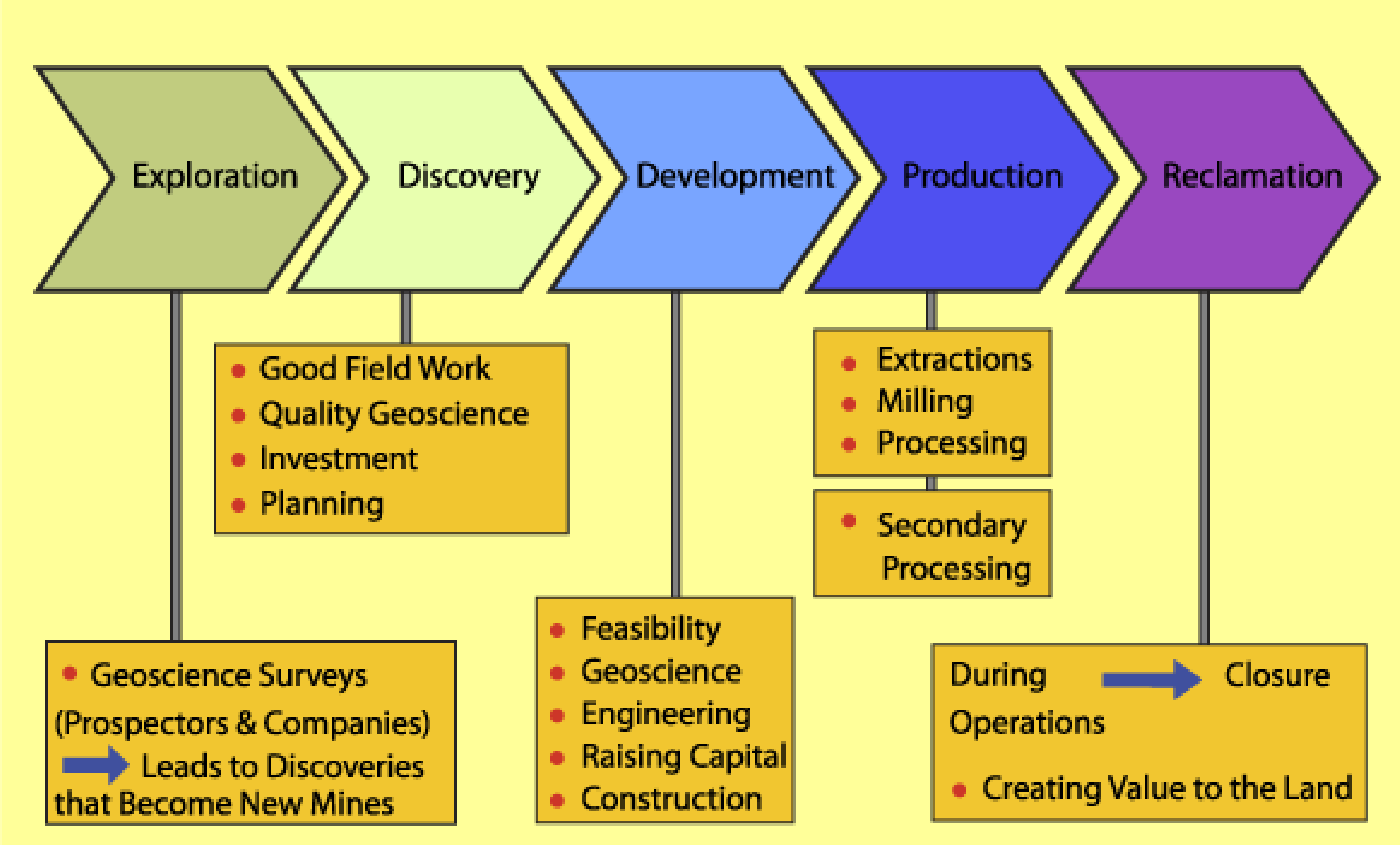
Presentation Plan

- Where are we: End of the post-GFC cycle
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +14% in 2022. Good start to 2023
- Quarterly investment cases: Pcofandora, Grifols, Harbour
- The LTIF NR: +13% in 2022. Good start to 2023
- **Natural Resources Thoughts *by Urs Marti***
- Conclusion

"The SIA value bracket"

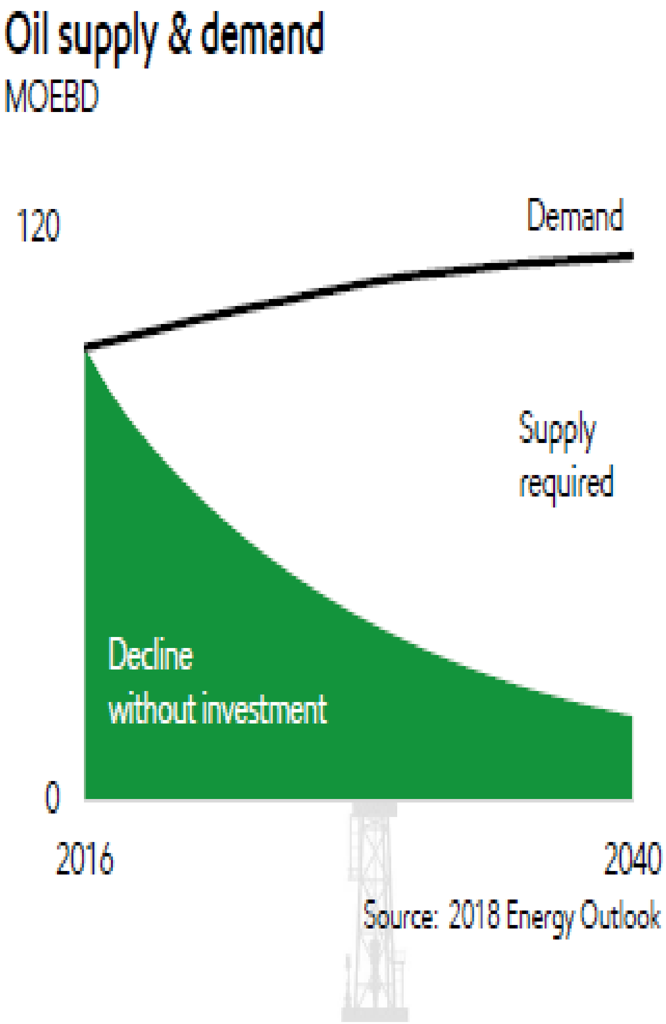


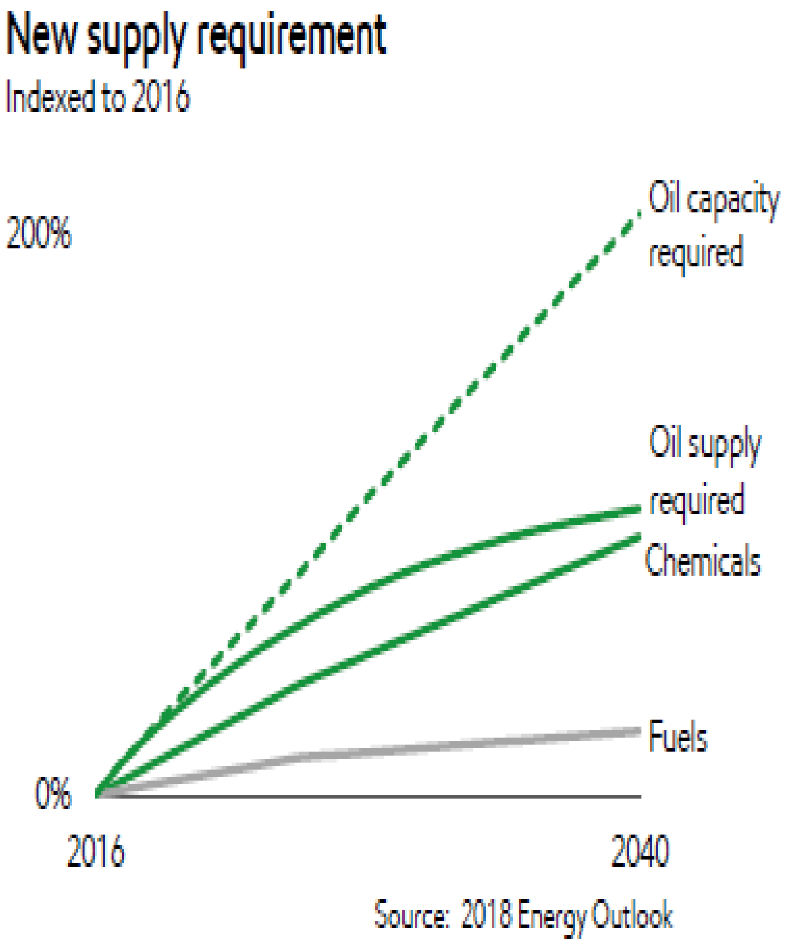
Mine cycle, a short harvest period



Source: Govt. Nova Scotia

A new Saudi-Arabia every third year



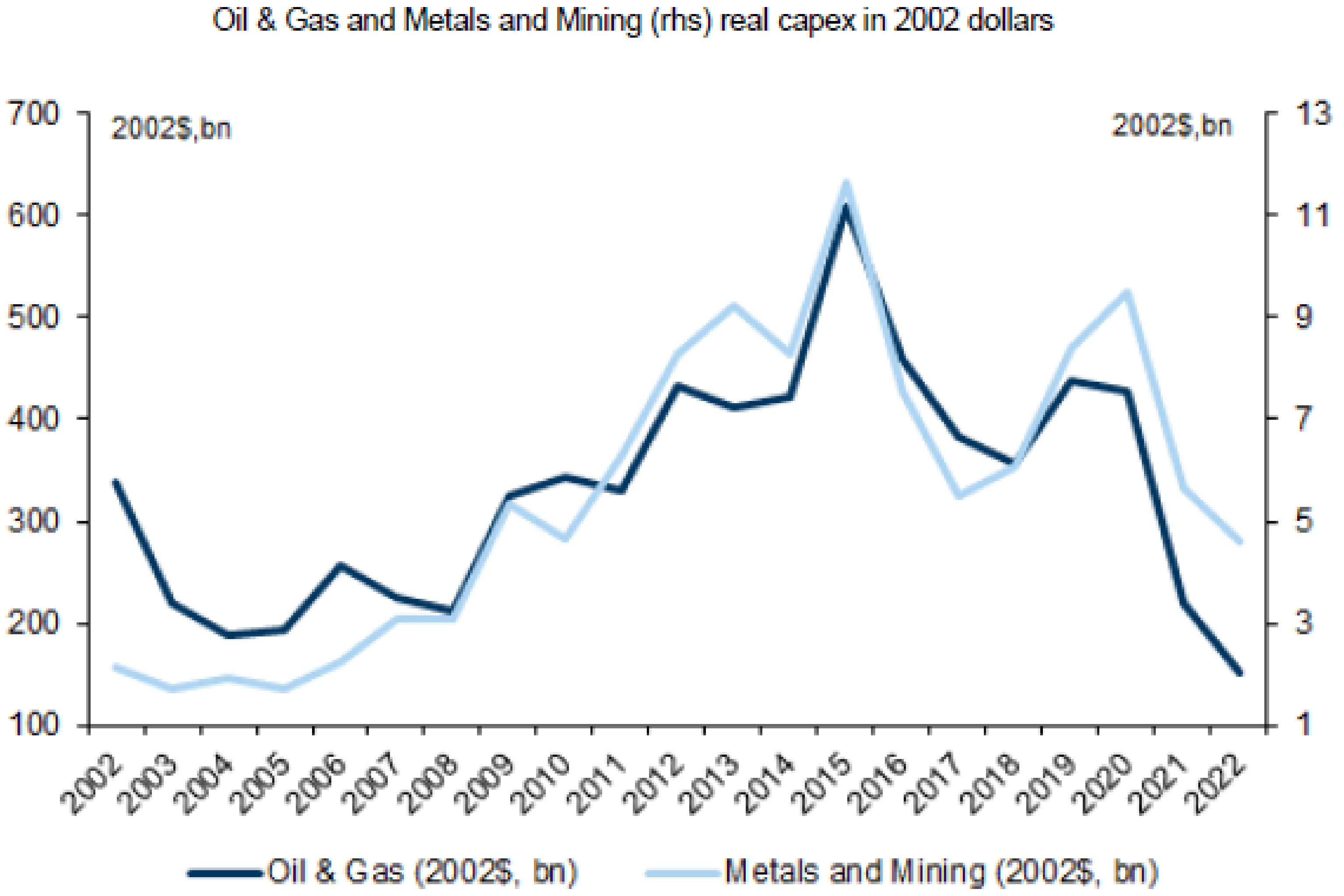


Pick the low hanging fruits first

Copper Ore Grade Decline

Source: Wood Mackenzie.

Inflation lifts replacement value

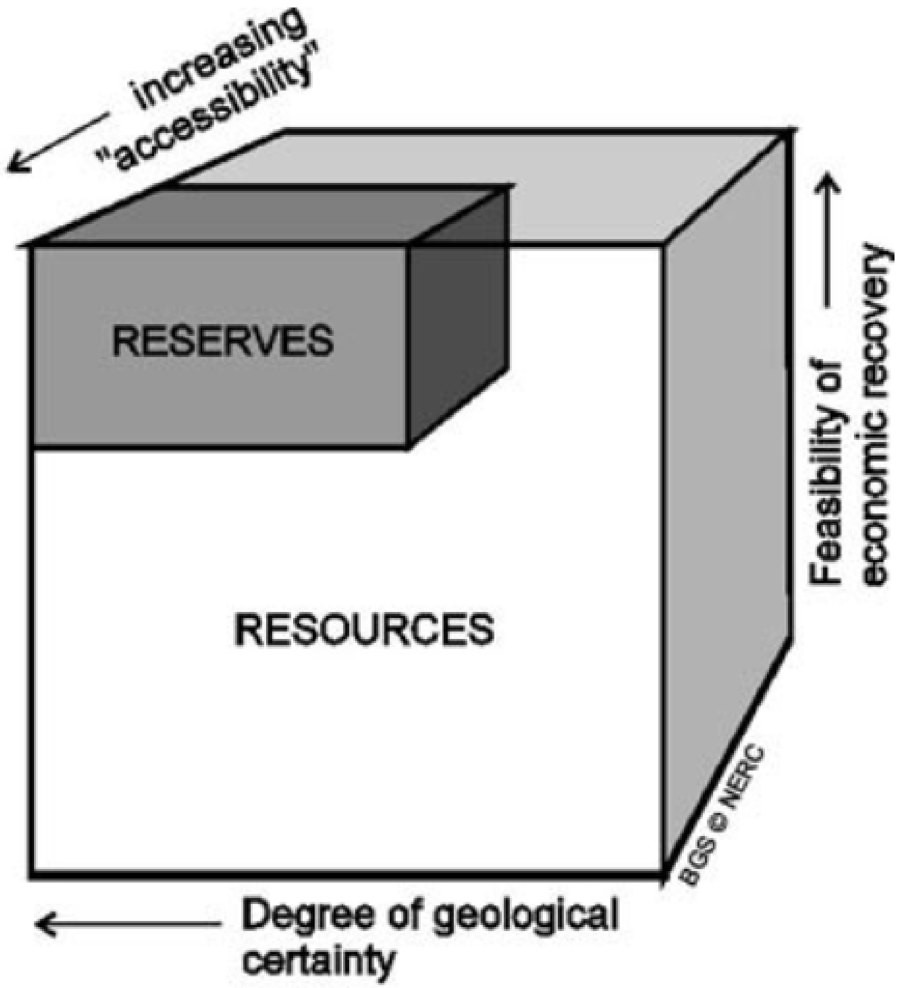


Source: Goldman Sachs/Baker Hughes

Not stories, but grade, scale, etc. produce cash

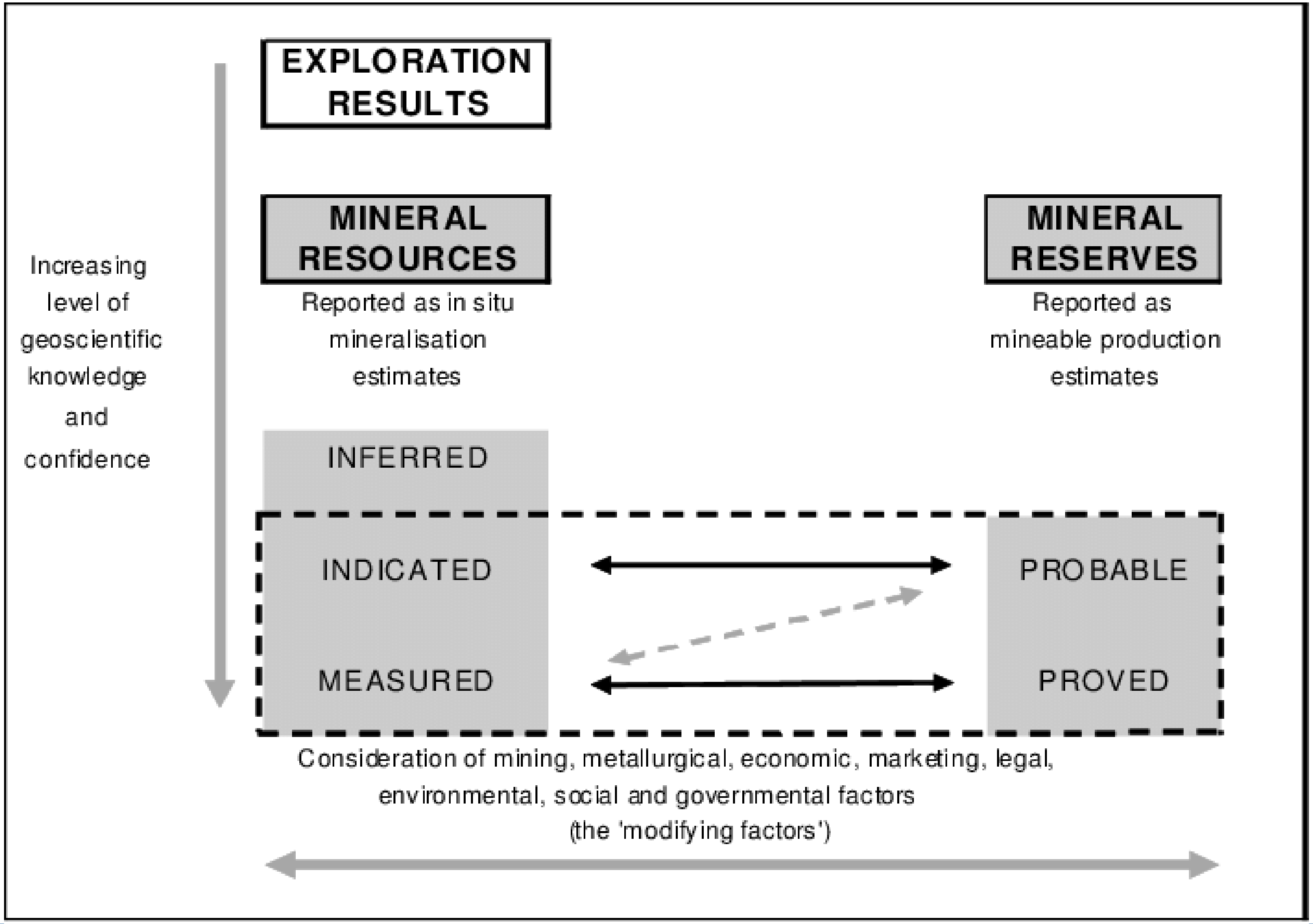
Uranium grades average from 0.07 to 0.035% U

1 out of 500 orebody makes it into production



The relationship between resources and reserves.

Resources are worthless without conversion



Short stories take decades

In 1978, J David Lowell proposed an exploration program along the porphyry copper belt between Chuquicamata in the north and El Salvador in the south.[7] Minera Utah de Chile and Getty Mining (Chile) formed a joint venture to carry it out. On March 14, 1981, 'Pozo 6' the last scheduled borehole in the program,[5] hit 52 metres of 1.51% copper at a depth of 240 metres and discovered the main Escondida orebody.[7] More holes were drilled to delineate the orebody and a shaft was sunk to provide bulk samples for metallurgical testing. Construction of the mine started in 1988, which including the stripping of over 180 million tonnes of waste to get to the orebody.[5]

The Los Colorados concentrator started up at 35,000 tonnes per day in November 1990, and the first concentrate shipment was made at the end of the year. Expansion has been steady since then. In 1994, an ammonia leach plant to produce copper cathode from a portion of the concentrates was started up in Coloso, but was not economic and closed down four years later. In 1998, the oxide ore leaching plant was started up, which now has a capacity of 150,000 tonnes of copper cathode annually. Also in 1998, the Los Colorados concentrator was expanded to 120,000 tonnes per day. A second concentrator, the 110,000 tonnes per day Laguna Seca mill, started up in 2002, the Escondida Norte pit started production in 2005, and in 2006 a sulphide bioleach plant with an annual capacity 180,000 tonnes of cathode started up, as did a desalination plant in Coloso.[5]

Ownership changed when BHP acquired Utah Mining and then Texaco acquired Getty Oil and sold off its mineral interests. BHP bought these and then sold a 30% interest to Rio Tinto and 10% to JECO. It subsequently sold 2.5% to the International Finance Corporation.

Long stories half a century…

[The Largest Gold And Copper Deposit In The World | Super Structures | Spark - YouTube]

Presentation Plan

- Where are we: End of the post-GFC cycle
- Out of the Box *by Jose Carlos Jarillo*
- The LTIF Classic: +14% in 2022. Good start to 2023
- Quarterly investment cases: Pcofandora, Grifols, Harbour
- The LTIF NR: +13% in 2022. Good start to 2023
- Natural Resources Thoughts by Urs Marti
- **Conclusion**

We buy at a discount. The discount rises protection

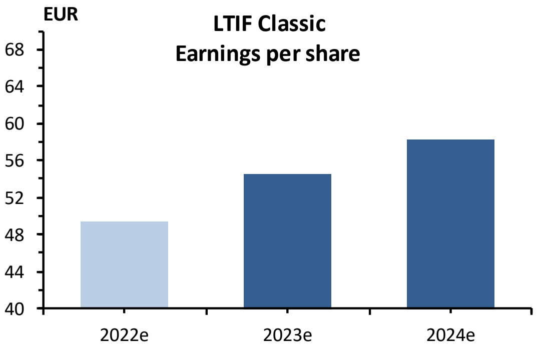
Date	NAV	%
31.12.2020	407.9	
31.12.2021	494.3	21.2%
31.12.2022	565.3	14.4%

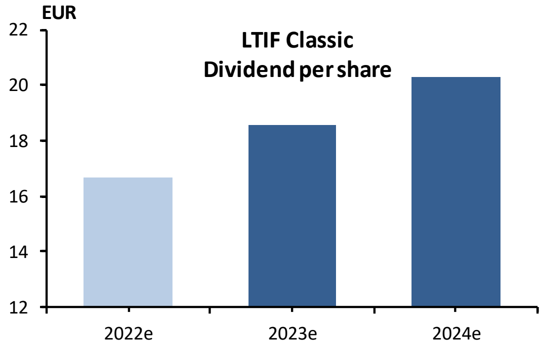
Reporting LTIF Classic as of 31.12.2022 (aggregated data in EUR)

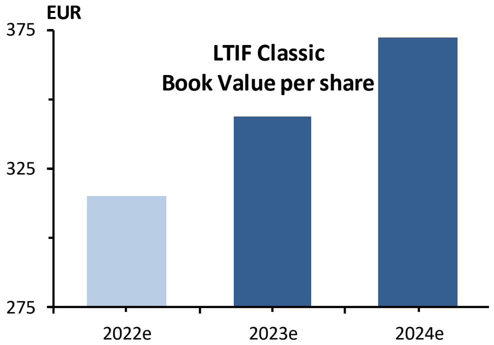
Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2022e	49.3		11.5	8.7%	16.3	6.1%
2023e	54.6	11%	10.4	9.7%	15.0	6.7%
2024e	58.3	7%	9.7	10.3%	14.0	7.1%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2022e	16.7		2.9%	2.2%
2023e	18.5	11%	3.3%	2.4%
2024e	20.3	9%	3.6%	2.7%

Year	BPS	%	P/B	MSCI World P/B
2022e	315.0		1.8	2.8
2023e	343.8	9%	1.6	2.4
2024e	372.3	8%	1.5	2.1



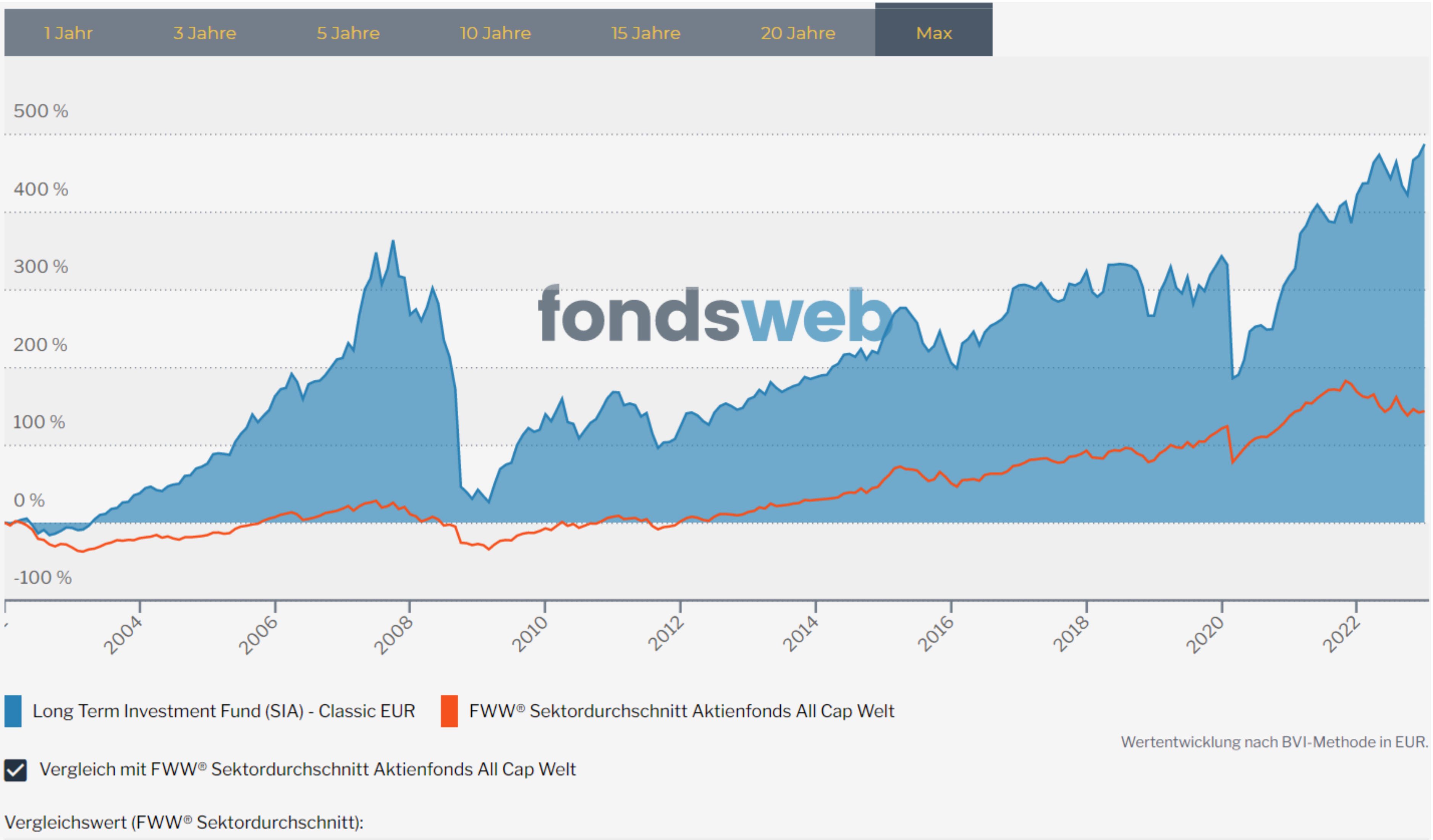




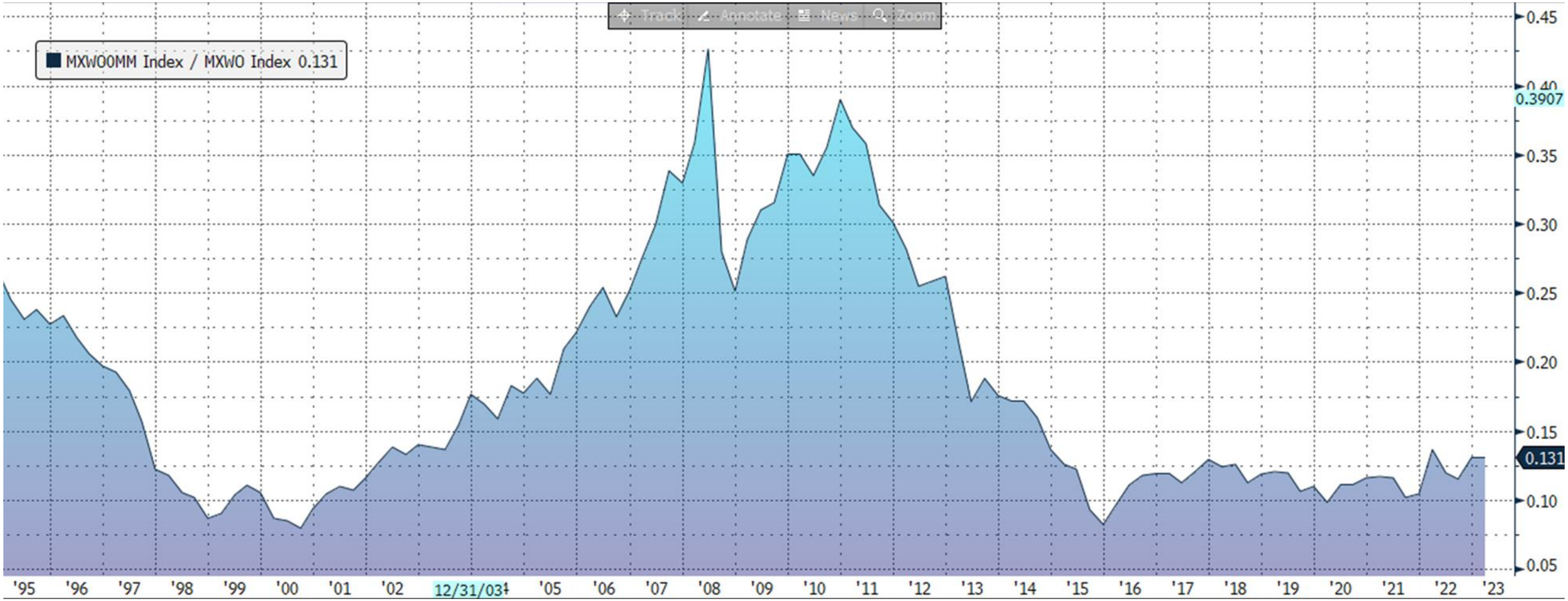
Source: SIA Group / Bloomberg

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

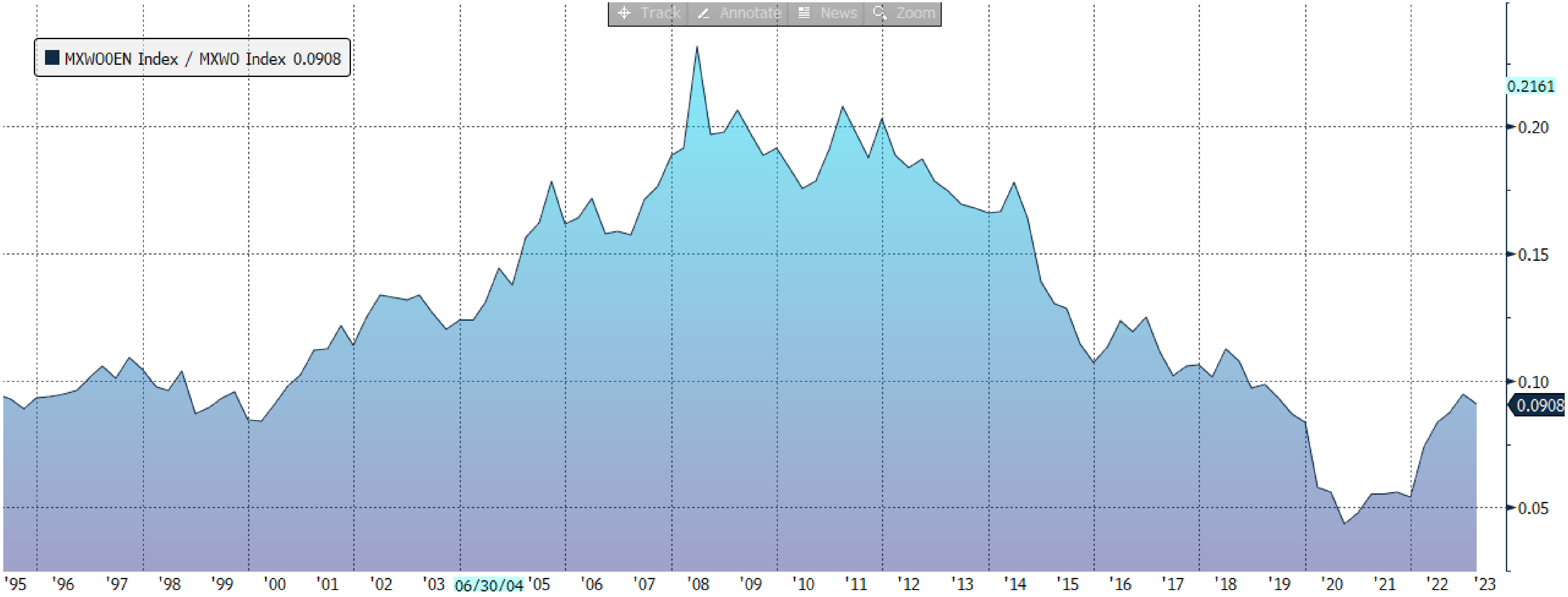
The Classic since inception vs Competition



MSCI Mining and Metals/MSCI World: just started



MSCI Energy/MSCI World: just started



We buy at a discount. The discount rises protection

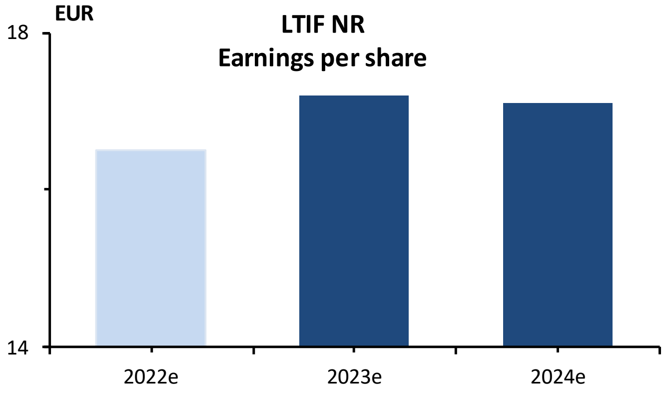
Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%
31.12.2022	138.4	12.9%

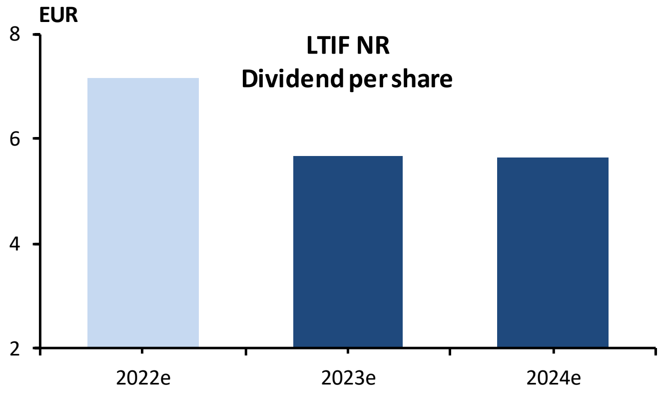
Reporting LTIF NR as of 31.12.2022 (aggregated data in EUR)

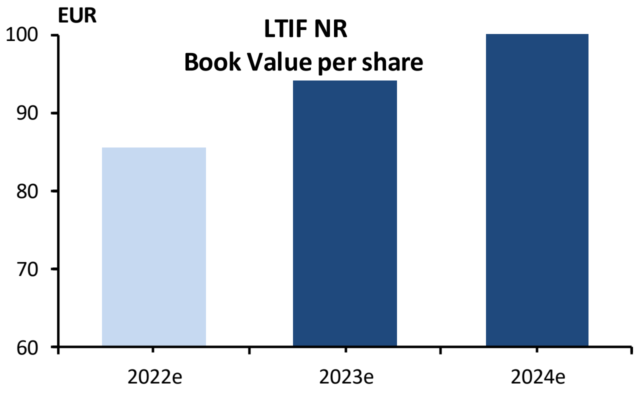
Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2022e	16.5		8.4	11.9%	7.1	14.1%
2023e	17.2	4%	8.0	12.4%	10.0	10.1%
2024e	17.1	-1%	8.1	12.4%	10.3	9.7%

Year	DPS	%	Div. Yield	S&P NR Div. Yield
2022e	7.2		5.2%	4.6%
2023e	5.7	-21%	4.1%	4.0%
2024e	5.6	-1%	4.1%	4.0%

Year	BPS	%	P/B	S&P NR P/B
2022e	85.6		1.6	1.7
2023e	94.2	10%	1.5	1.4
2024e	109.2	16%	1.3	1.4







Source: SIA Group / Bloomberg

Long Term Investment Fund (SIA) Structure

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**

SIA Funds AG is an authorized Asset Manager of collective investment schemes, regulated by the Swiss Financial Market Supervisory Authority FINMA.

Email

info@s-i-a.ch

Phone

+41 55 617 28 70

Website

www.s-i-a.ch

Office

Alpenblickstrasse 25
CH-8853 Lachen
Switzerland

DISCLAIMER: LTIF (SIA) Classic and Natural Resources

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 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.