

LTIF

Long Term Investment Fund

SIA Funds. Strategic Value

2023

Presentation Plan

- **SIA Funds. Who are we? Strategy**
- LTIF Natural Resources
- Risk Management
- SIA Funds is looking for long term partners

Investment Boutique vs. Institutional

“We like what we do”



- **Swiss asset manager.** Regulated by FINMA. Based in Lachen (Lake of Zurich)
- **Value strategy, long-only**
- **Boutique type:** EUR 220 million AUM
- Team of 8 people with **4 investment professionals with more than 25 years of experience**
- **LTIF Classic**, created in 2002, and with a **9% p.a. for 20+ years**. **LTIF Natural Resources** seeks to generate value from the energy transition. **7% p.a. past 5Y.**
Mandates

Partners - Investment Experience



- **Marcos Hernandez Aguado, CIO**
Head of Investments Committee and PM



- **Alex Rauchenstein, CEO (IC)**
Head of Operations



- **Urs Marti, Director, (IC)**
Natural Resources

- **Prof. Jose Carlos Jarillo, Founder (IC)**



**> 25 years
experience**

**Invested in
SIA Funds**

**Unconstrained
decision making**

Value Investors/Entrepreneurs

- We see ourselves as **investor-entrepreneurs, with a long-term view**
- Risk-averse. Keynes: investment = **capital protection + decent returns**
- **Value investing: good businesses at an interesting price (discount) or very cheap solid businesses.** No bad businesses at any price
- **We do not speculate.** We don't know if the market is going to go up or down, we invest in businesses on a long-term capital return

From Value to Strategic Value: the 4 G's

- **Strategic analysis of the sector:** competitive framework, entry & exit barriers, historical returns, cyclicalities, regime change
- **Strategic analysis of the company:** 5 forces, moats, competitive advantages, growth, returns
- **Choose good (moaty) businesses.** Buy them at a discount. Discard weak business models... at any price.

The 4Gs: Good business, good management, good balance sheet and @ a good price

SIA Funds Investment Principles

- **Strategic Value.** The 4G's: Good Business (moat), Good managements (returns/minorities), Balance sheet (crisis proof) @ a discount
- **Fundamental Analysis.** Strategic and Financial analysis with IV/IRRs on a company level and in total for our funds
- **Responsible Investing.** Transparent. No speculation. Big upside= big risk. No additives. No derivatives, no hedges, no funnies
- **Long Term View.** Average down
- **Circle of Competence.** Watch List. Time

Strategic Value: 3 examples



Price/Book 2x
PE 10X, ROE 22%
Dividend Yield 5%
Our IRR 14-15% p.a.



Price/Book 0.65x
PE 7X, EV/EBITDA 4.4x,
ROE 9.5%
Our IRR 14-15% p.a.



@ USD 75 WTI, FFCF 33 Mrd. USD >
Market. Cap - 2026

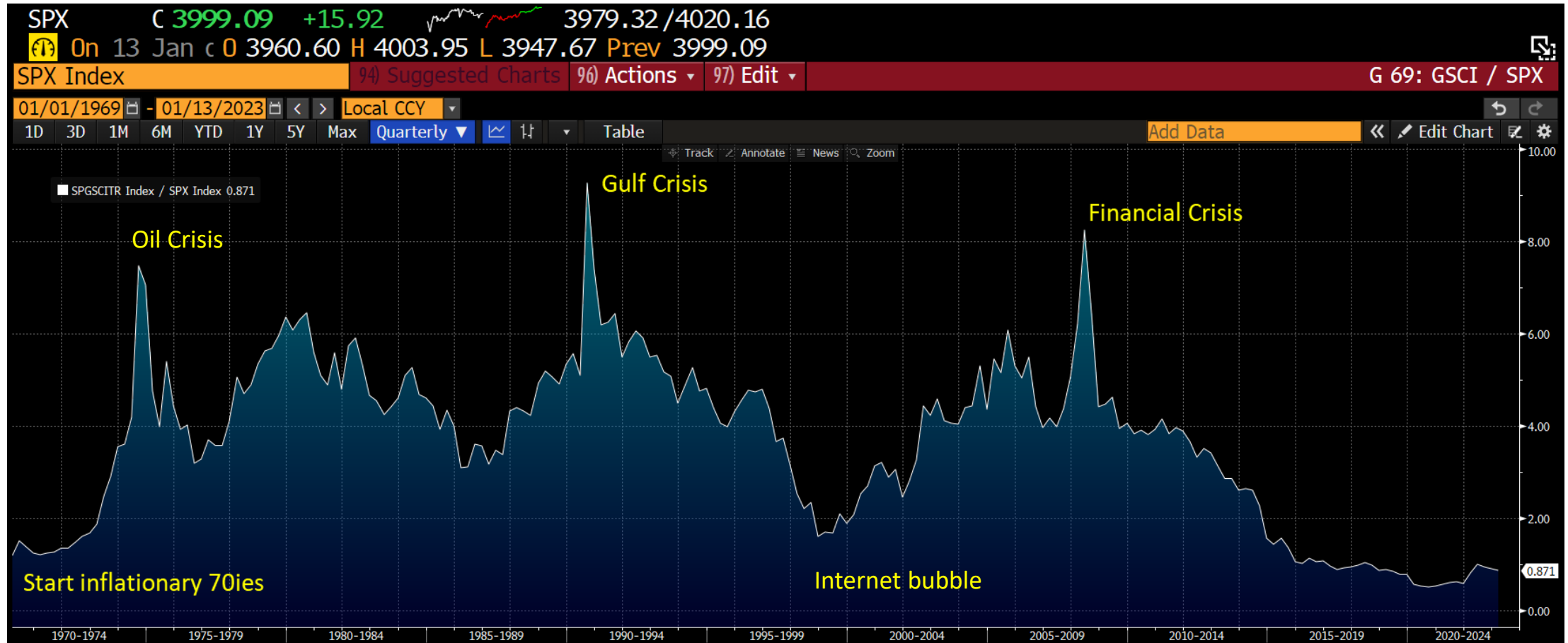
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The 4Gs: Good business, good management, good balance sheet and @ a good price

Presentation Plan

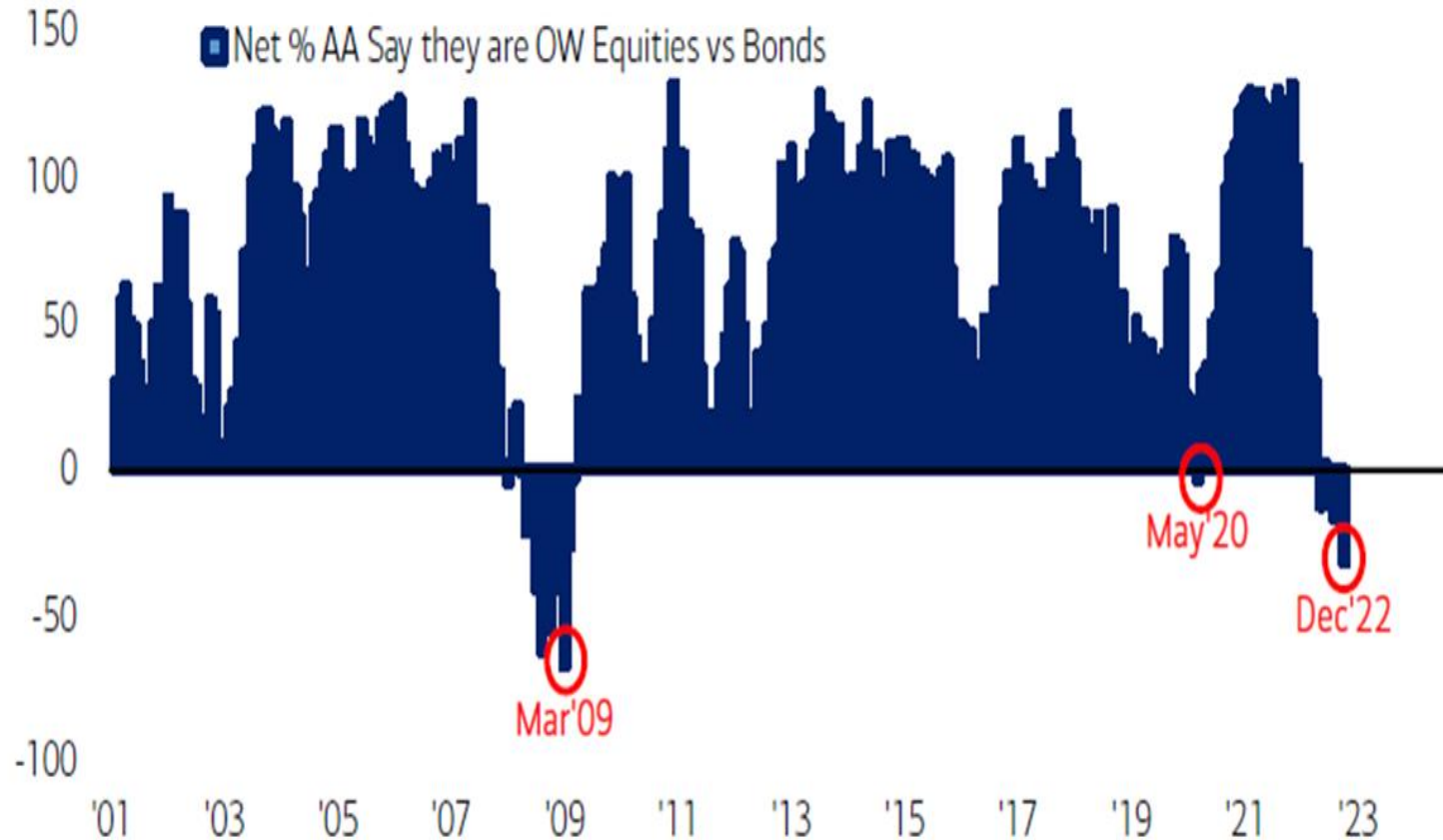
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GSCI/S&P500 Ratio: As cheap as it can get



Buying opportunity

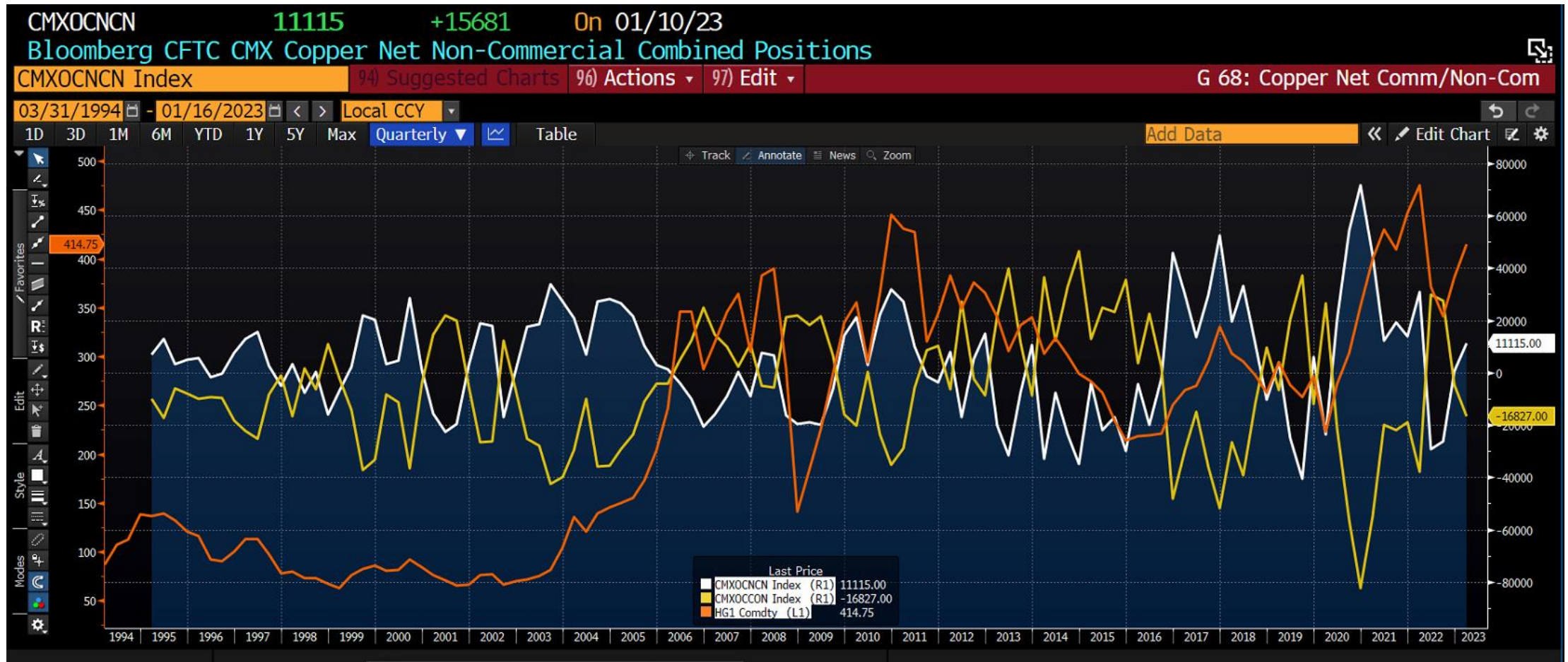
■ Net % of FMS overweight equities - bonds



Source: BofA Global Fund Manager Survey

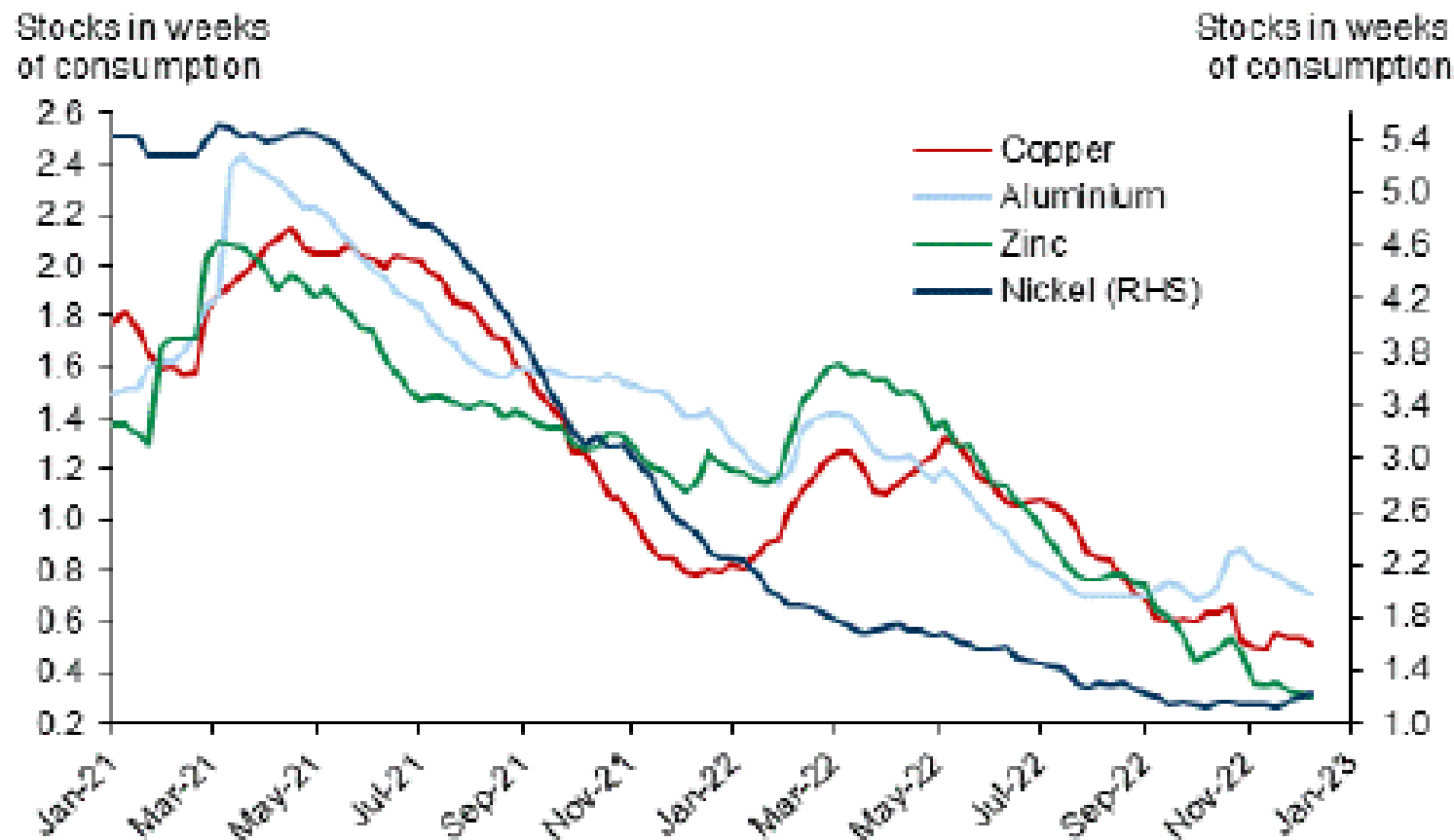
BofA GLOBAL RESEARCH

Last time this happened, copper doubled



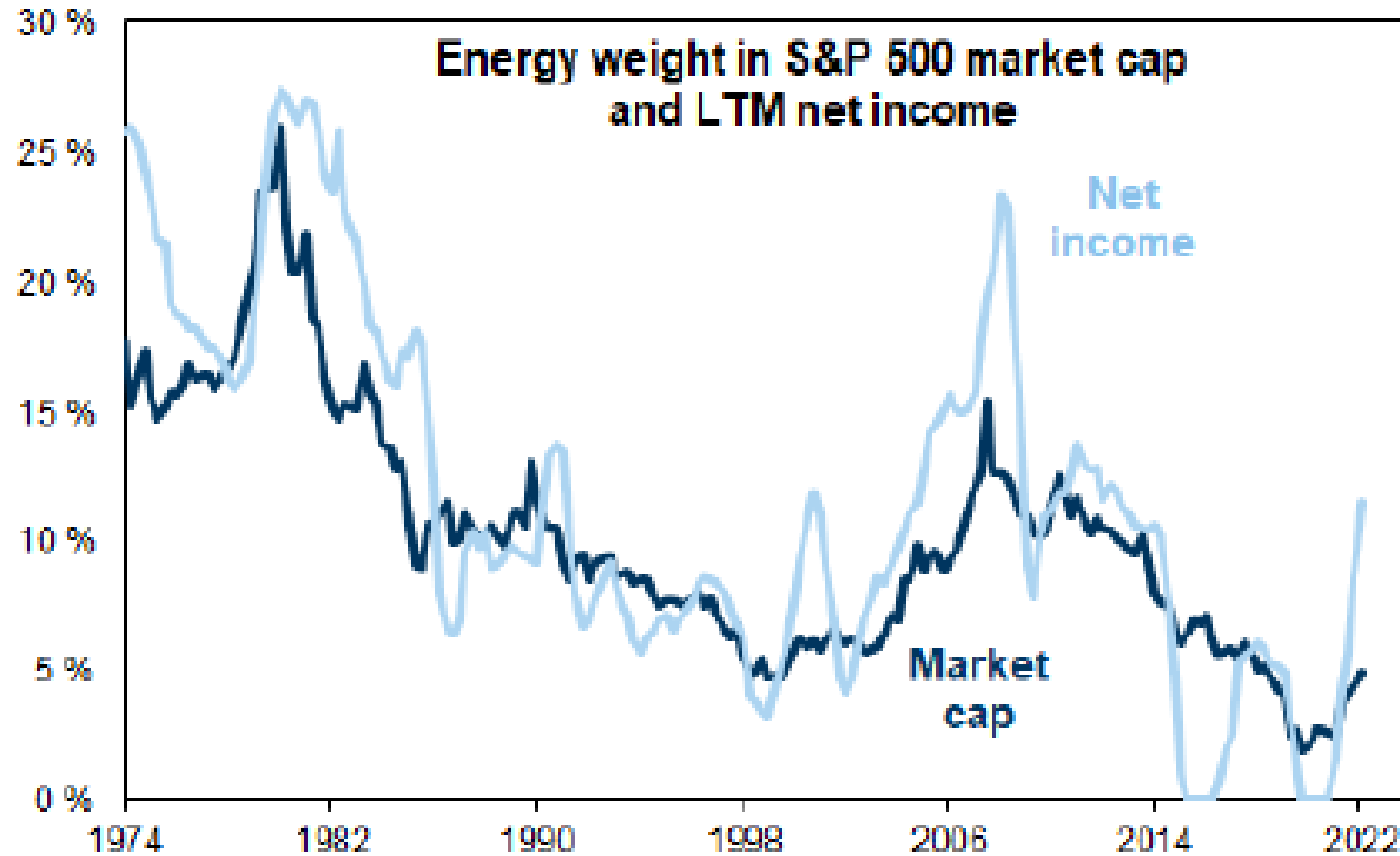
Recession? Short Dr. Copper? Real world very tight...

Global visible metals inventories



Source: Goldman Sachs

Investors prefer losses/dreams to profits/dividends



Source: Goldman Sachs

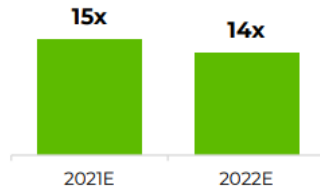
Stories are preferred to profits...

Glencore on track to smash profit record

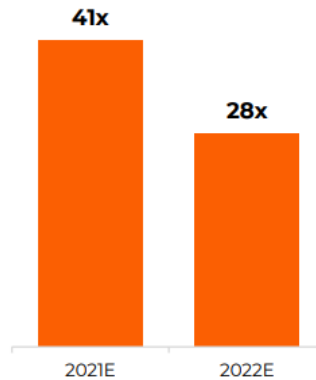
Major diversified miners EV/EBITDA^(1,2)



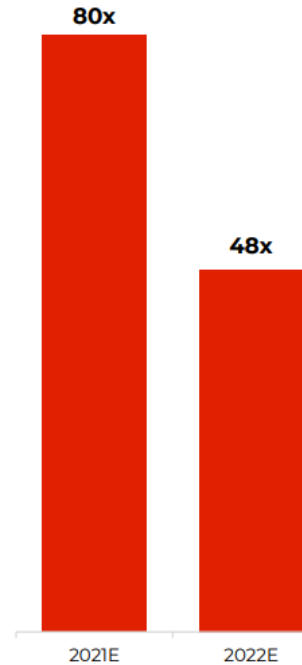
Renewable energy: A leading wind turbine producer EV/EBITDA⁽²⁾



EV Batteries: A leading producer EV/EBITDA⁽²⁾



Electric vehicles: A leading producer EV/EBITDA⁽²⁾



Notes (1): Includes Anglo American, BHP, Glencore and Rio Tinto. BHP FY21. (2) Source: Morgan Stanley Research, Capital IQ.

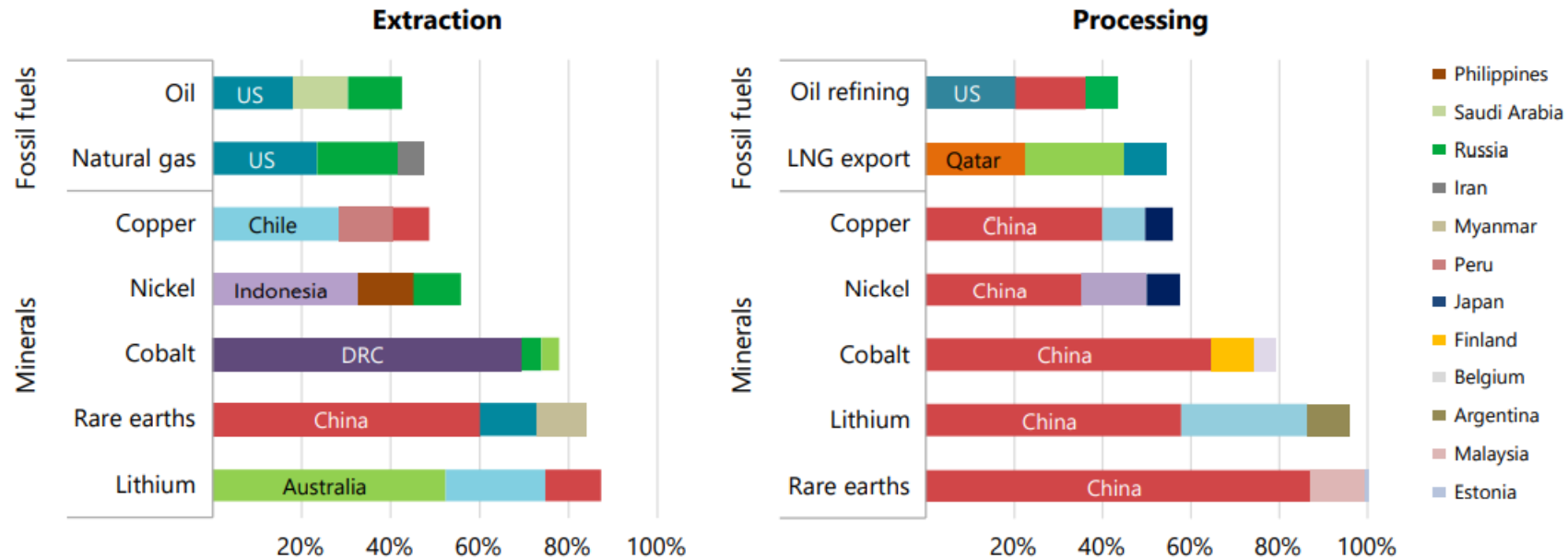
GLENCORE

2022 | BMO
Global Metals & Mining Conference

Globalisation, “dual circulation”...

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

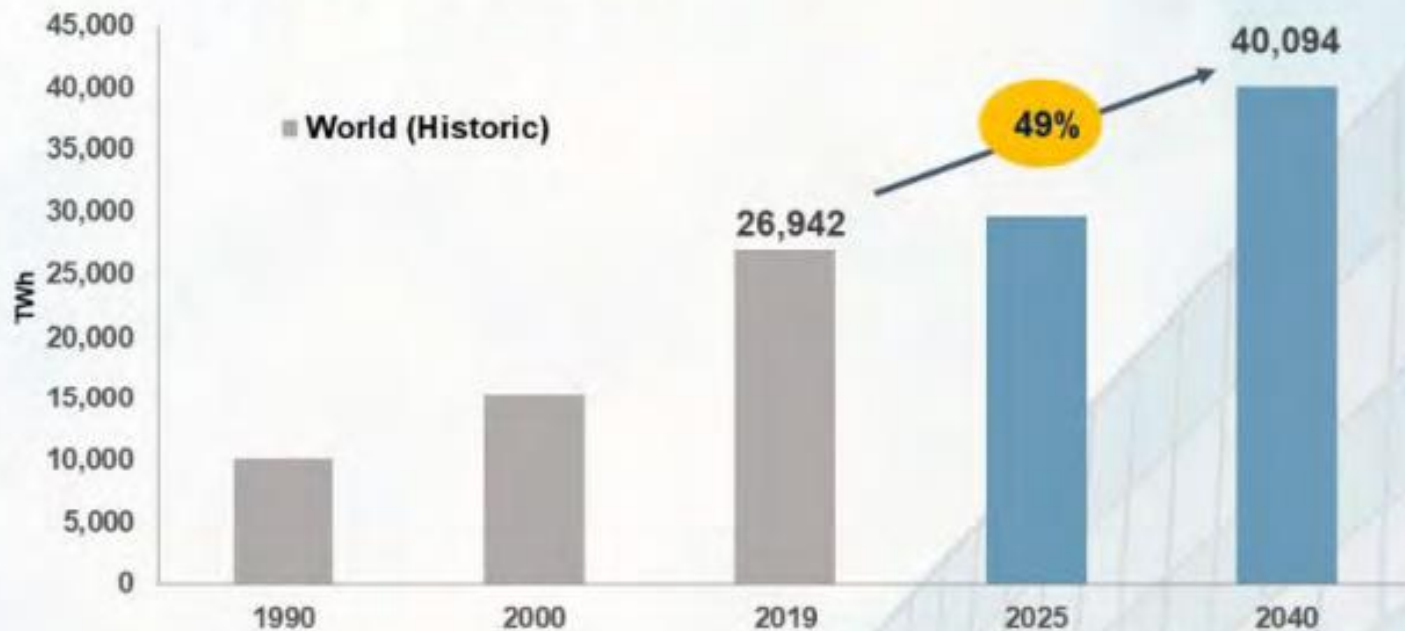


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BRICS, Digitalization, Infrastructure, EV, etc.

Growing electricity generation

By 2040, global demand is expected to increase by 49% from 2019 levels



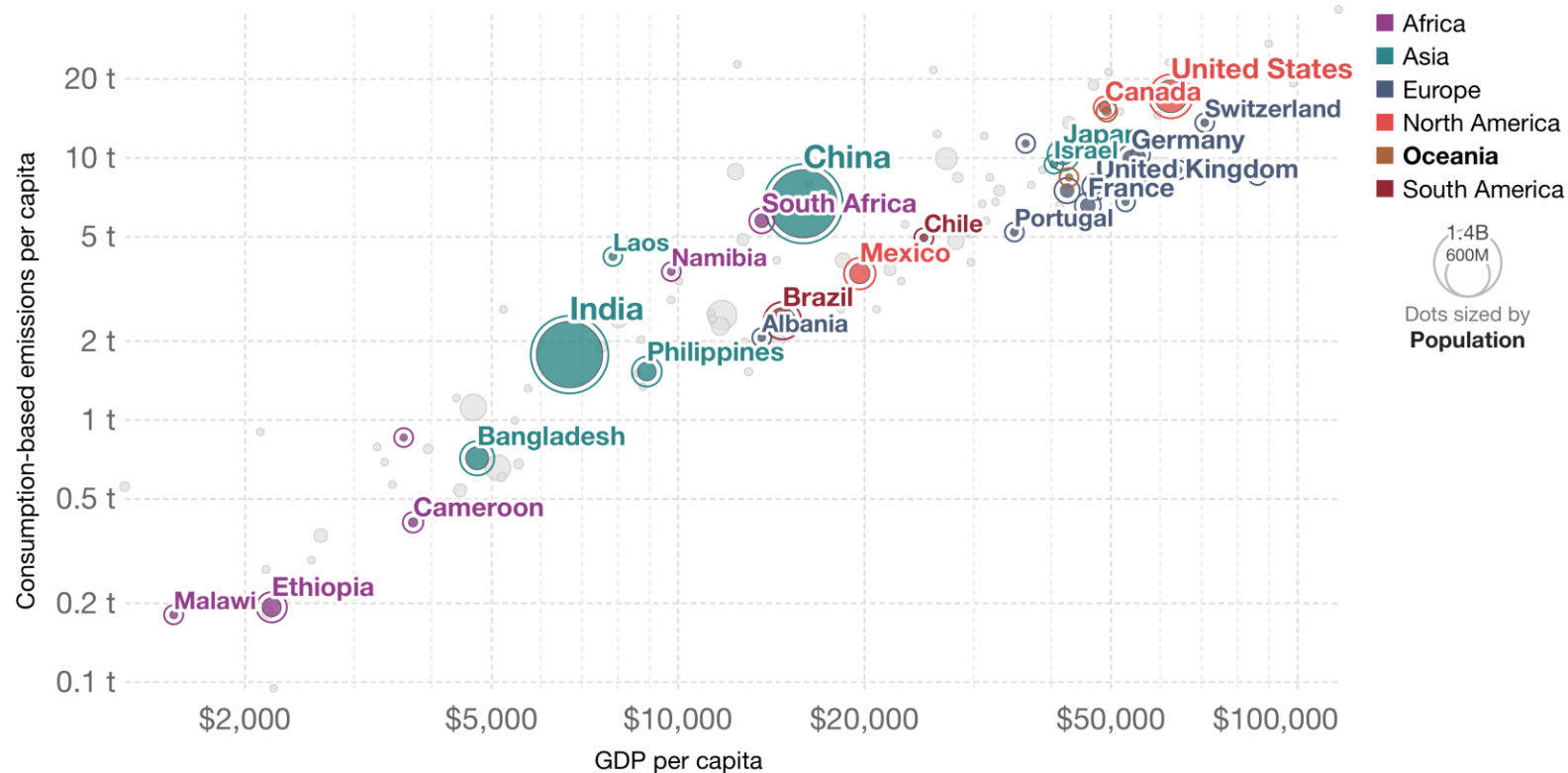
Source: IEA World Energy Outlook 2020 Stated Policies

GDP / energy consumption and standard of living

Consumption-based CO₂ emissions per capita vs GDP per capita, 2019

- Consumption-based emissions are domestic emissions adjusted for trade. If a country imports goods the CO₂ emissions needed to produce such goods are added to its domestic emissions; if it exports goods then this is subtracted.
- GDP per capita is adjusted for price differences between countries (PPP) and over time (inflation).

Our World
in Data



Source: Our World in Data based on the Global Carbon Project, Data compiled from multiple sources by World Bank
OurWorldInData.org/co2-and-other-greenhouse-gas-emissions • CC BY

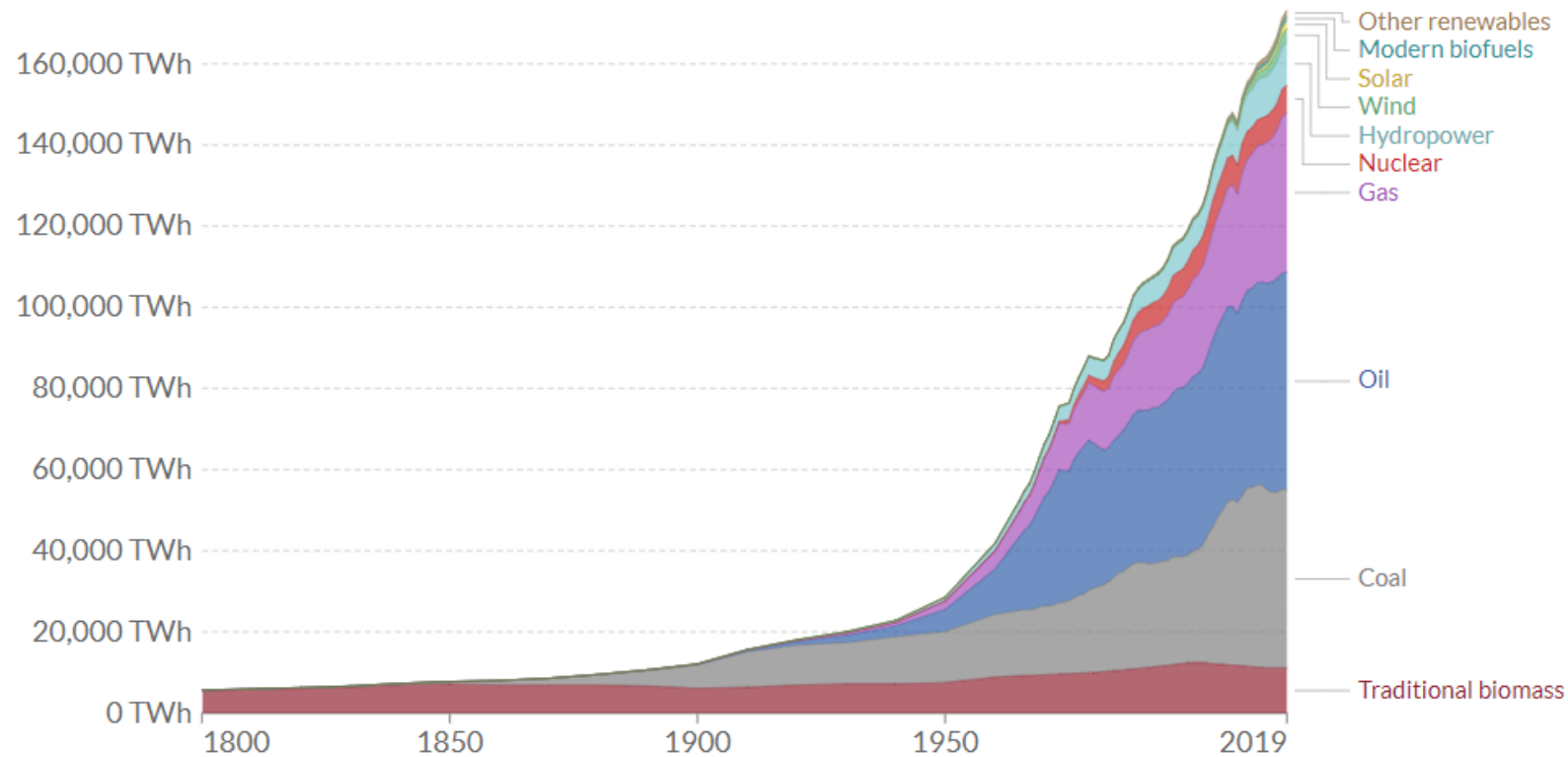
Industrial revolution was/is a carbon revolution

Global primary energy consumption by source

Primary energy is calculated based on the 'substitution method' which takes account of the inefficiencies in fossil fuel production by converting non-fossil energy into the energy inputs required if they had the same conversion losses as fossil fuels.

Our World
in Data

□ Relative

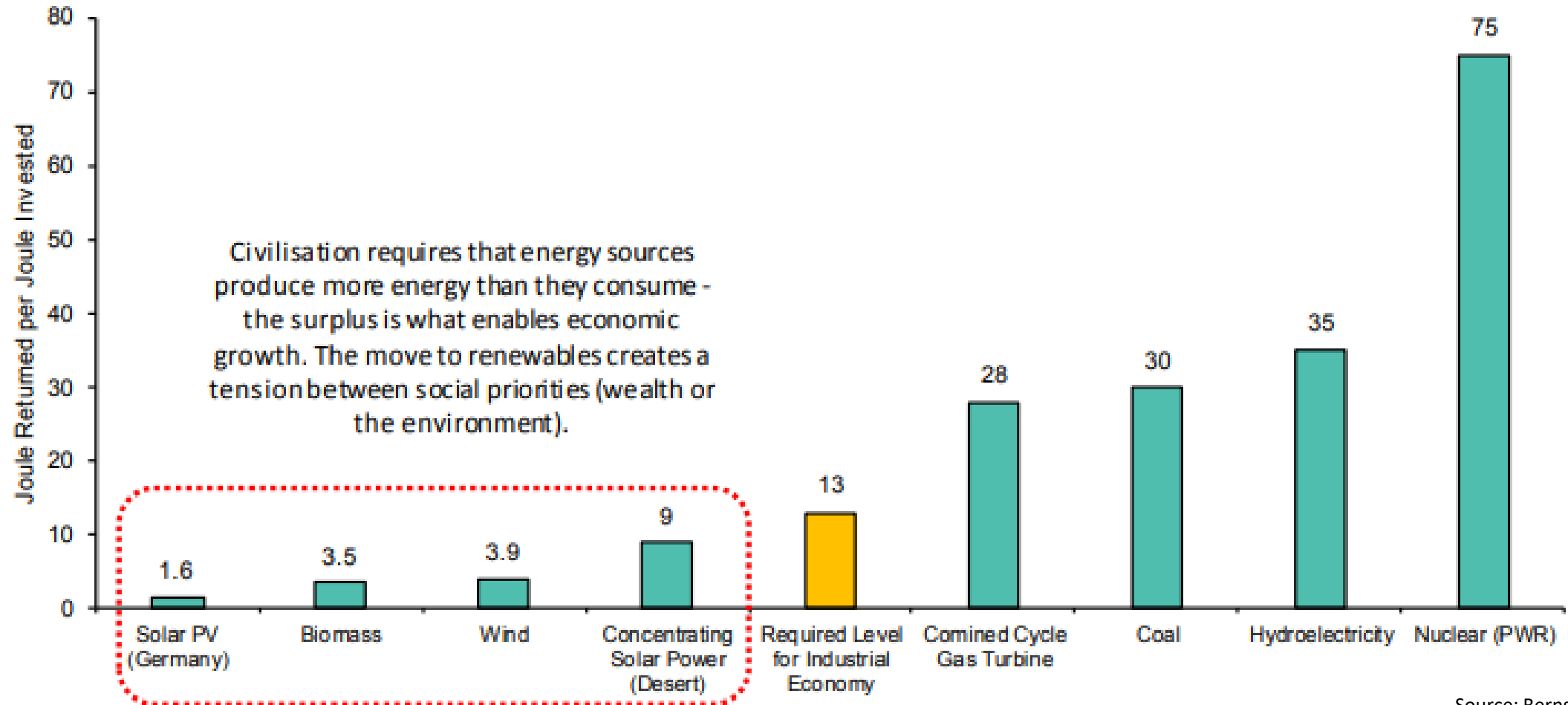


Source: Vaclav Smil (2017) & BP Statistical Review of World Energy

OurWorldInData.org/energy • CC BY

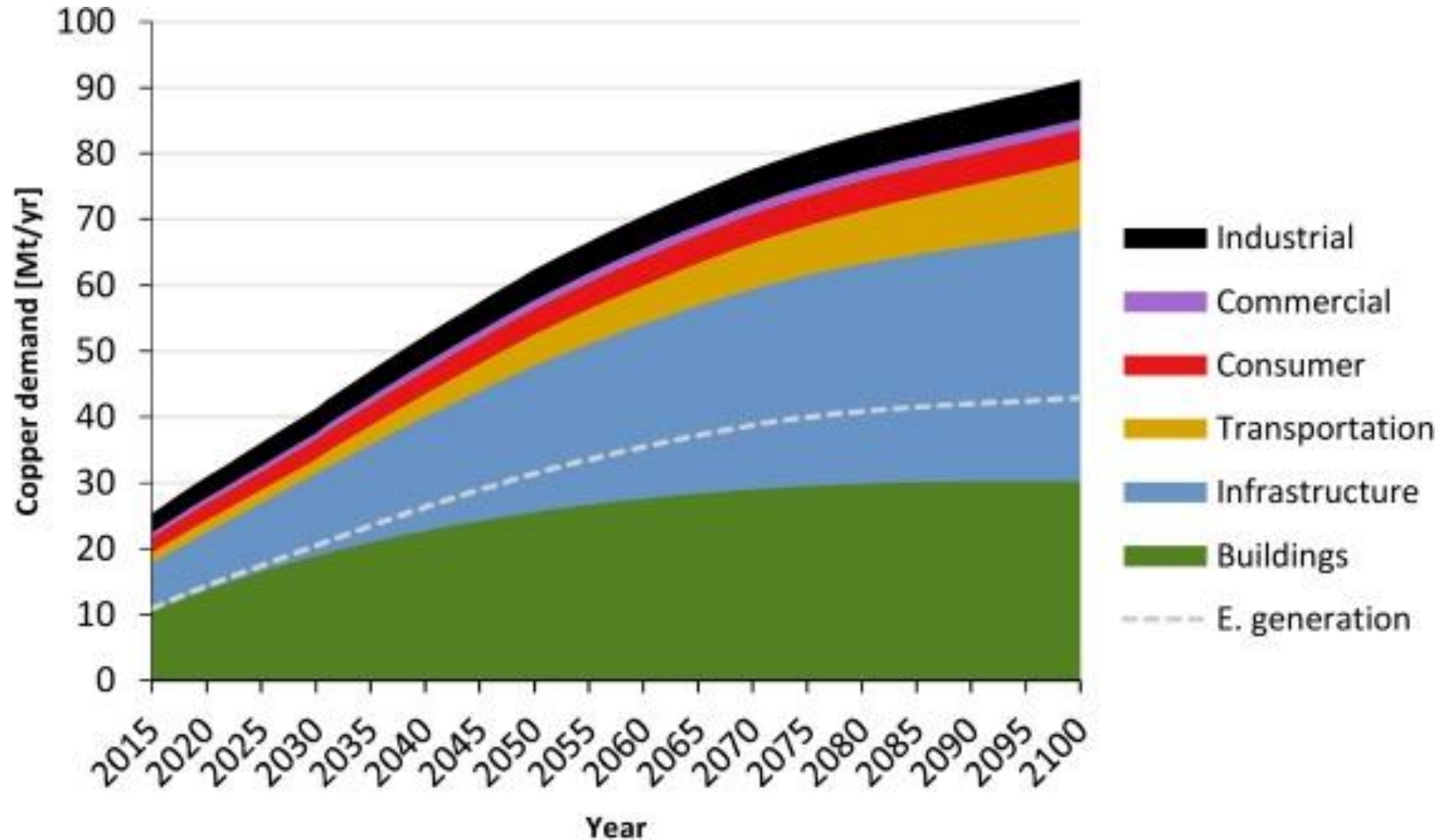
It is about density of energy

Buffered Energy Return on Investment by Source



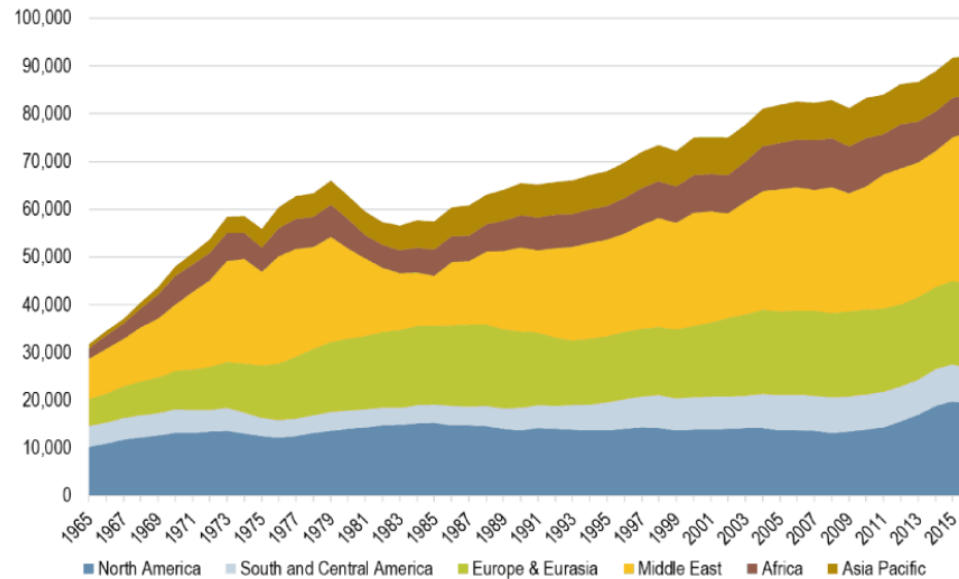
Source: Bernstein

Estimated copper demand



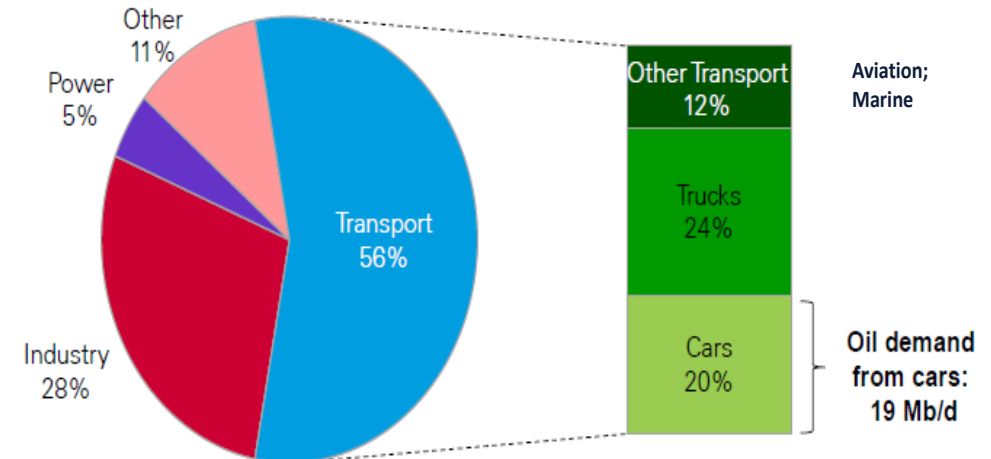
Oil demand is very sticky

World Crude Oil Production and Consumption, 1965-2016



Source: United States Energy Information Administration

Because most of its uses are very stable



Source: BP, 2016 / Burggraben

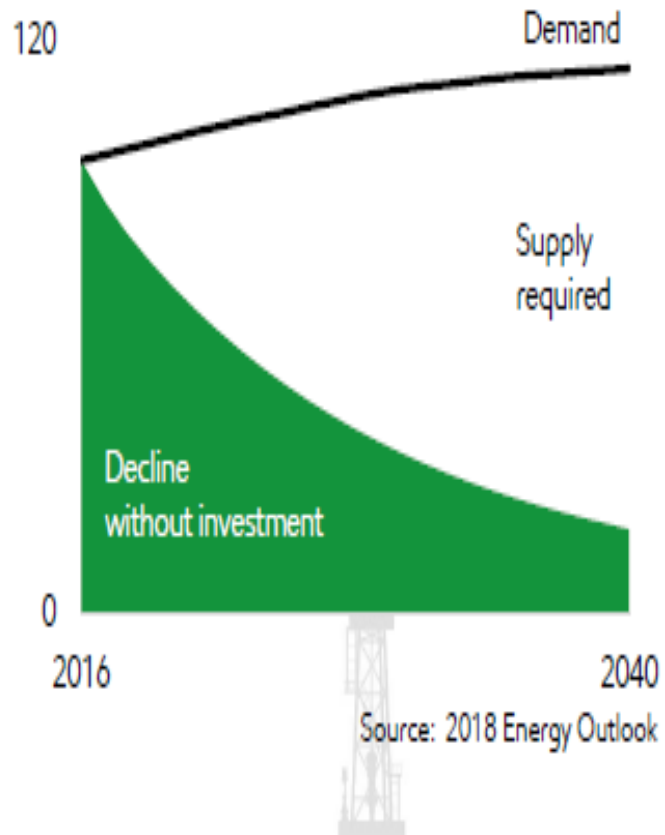
And the strongest source of additional demand is depletion

Demand is more stable than perceived

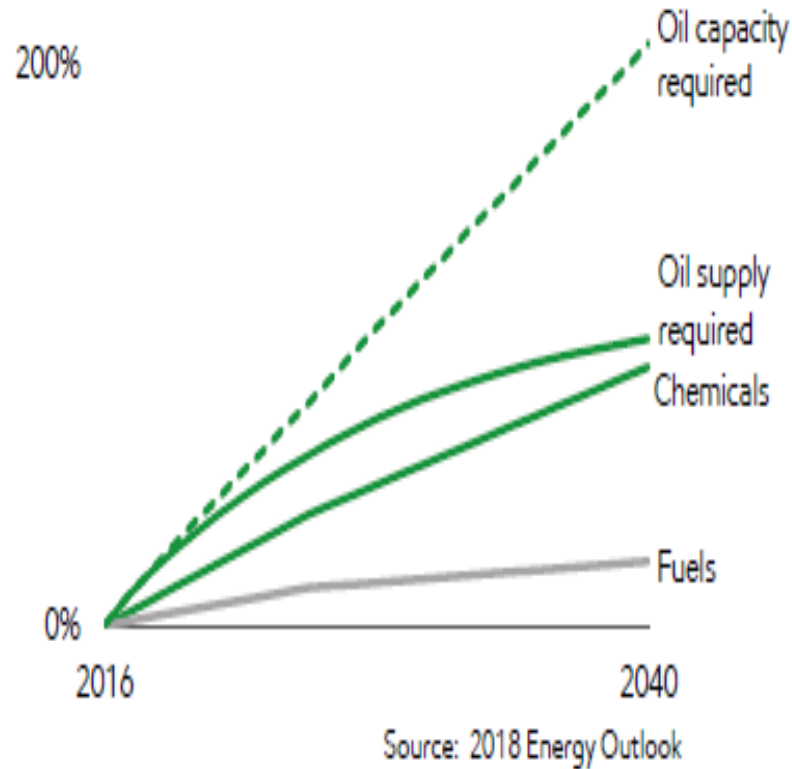


A depleting biz, one should better start to invest...

Oil supply & demand
MOEBD



New supply requirement
Indexed to 2016



Pick the low hanging fruits first, it does not get easier!

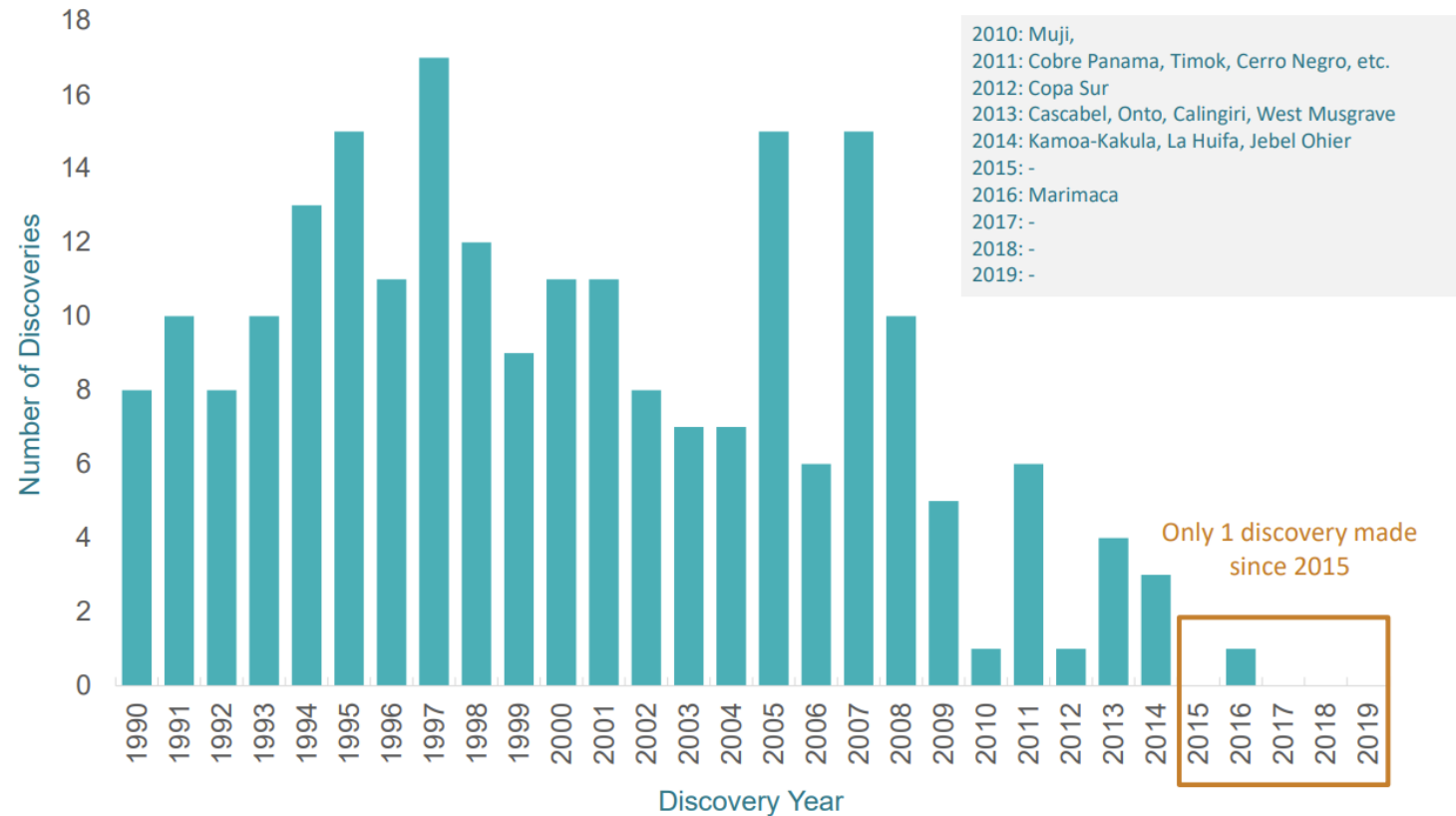
Copper Ore Grade Decline



Source: Wood Mackenzie.

We have a structural problem

Copper Discovery Rate Remains Dismal



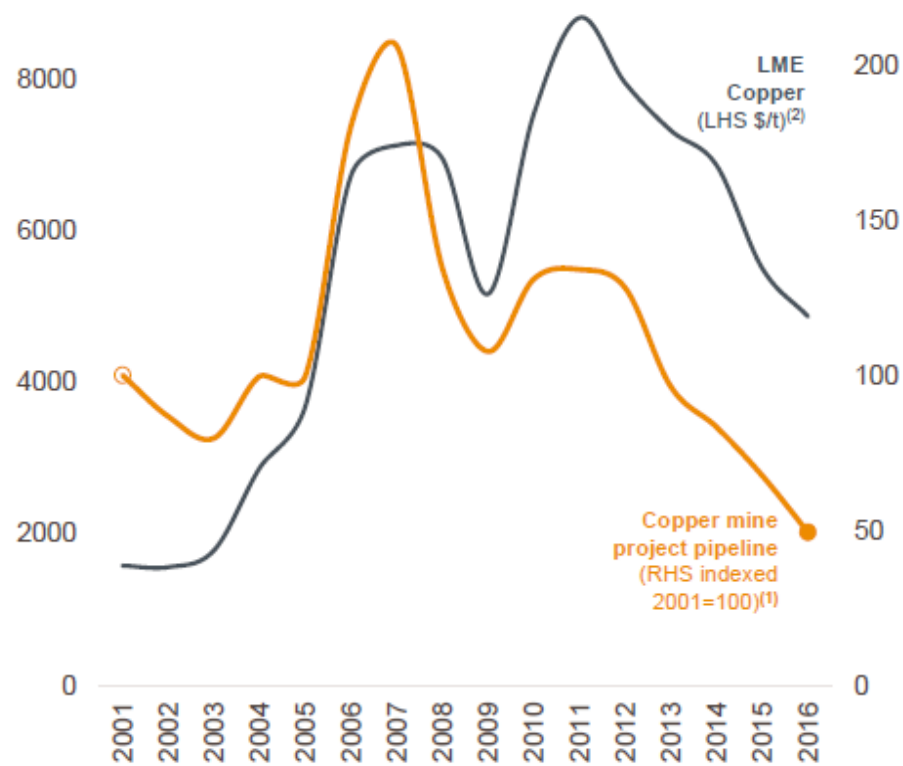
Source: S&P Global Market Intelligence

TSX: SLS; OTCQB: SLSSF 27

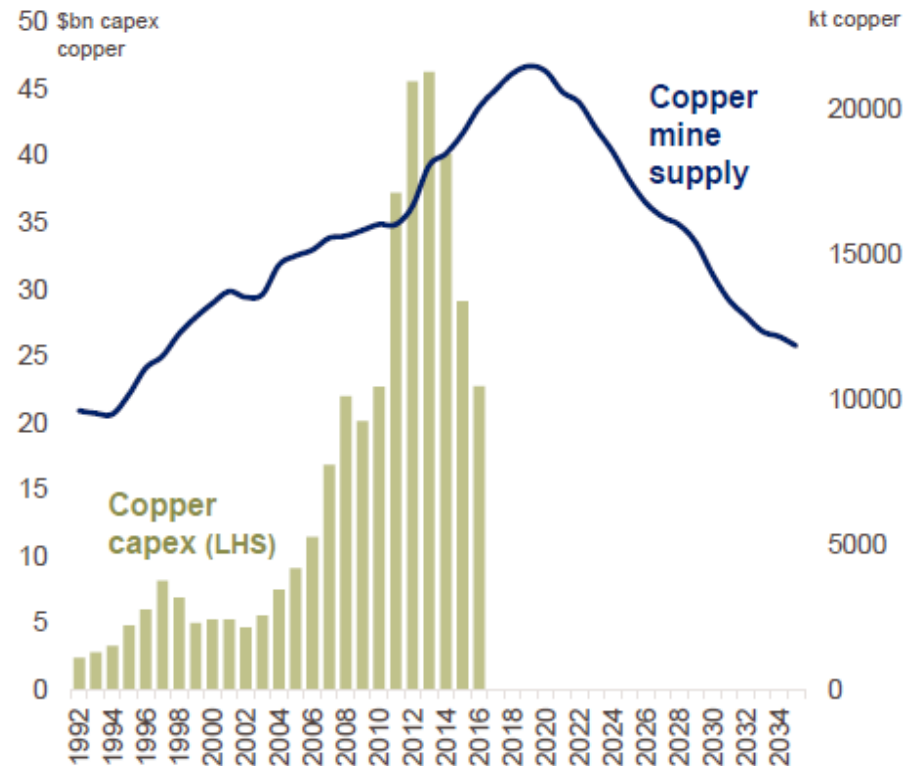
It is a capex cycle

Sustaining copper mine supply is progressively more challenging

Copper mine project pipeline now below pre-supercycle lows



Supply is peaking in 2018 and declines thereafter at 3.5% CAGR with no reinvestment ⁽³⁾

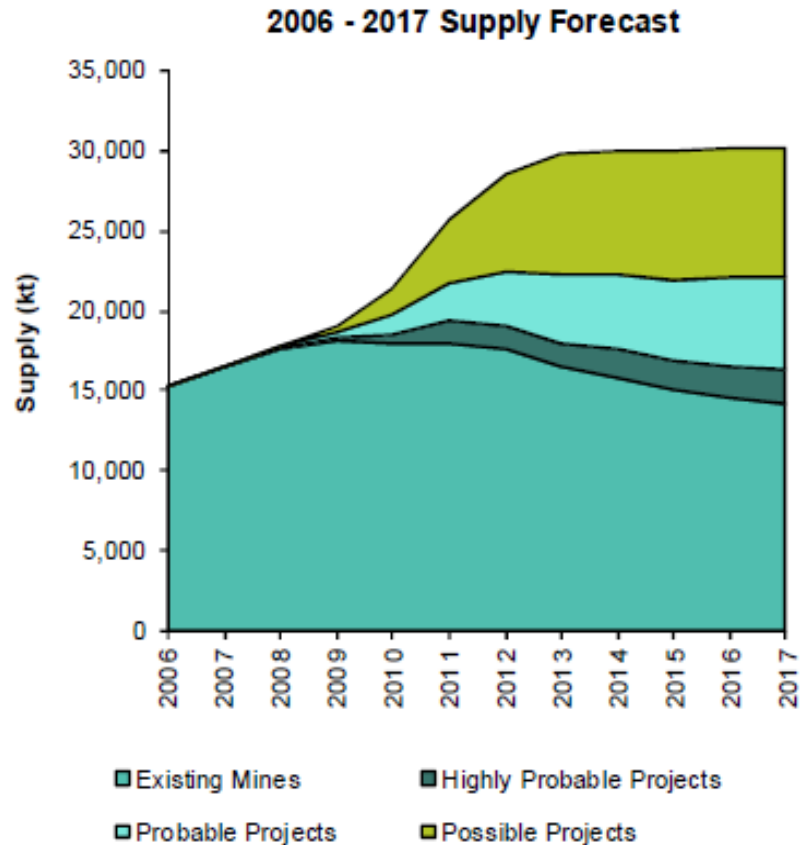


Source: (1) Copper mine project pipeline comprises the total production volume of projects categorised as highly probable and probable by Wood Mackenzie's Global copper long-term outlooks from 2001 to 2016, Indexed change from 2001. (2) Annual average LME cash copper price, source Wood Mackenzie and Bloomberg. (3) Bernstein European Metals and Mining, 8 March 2017, Copper & Gold – Not a production wall ... It's a production cliff

GLENCORE

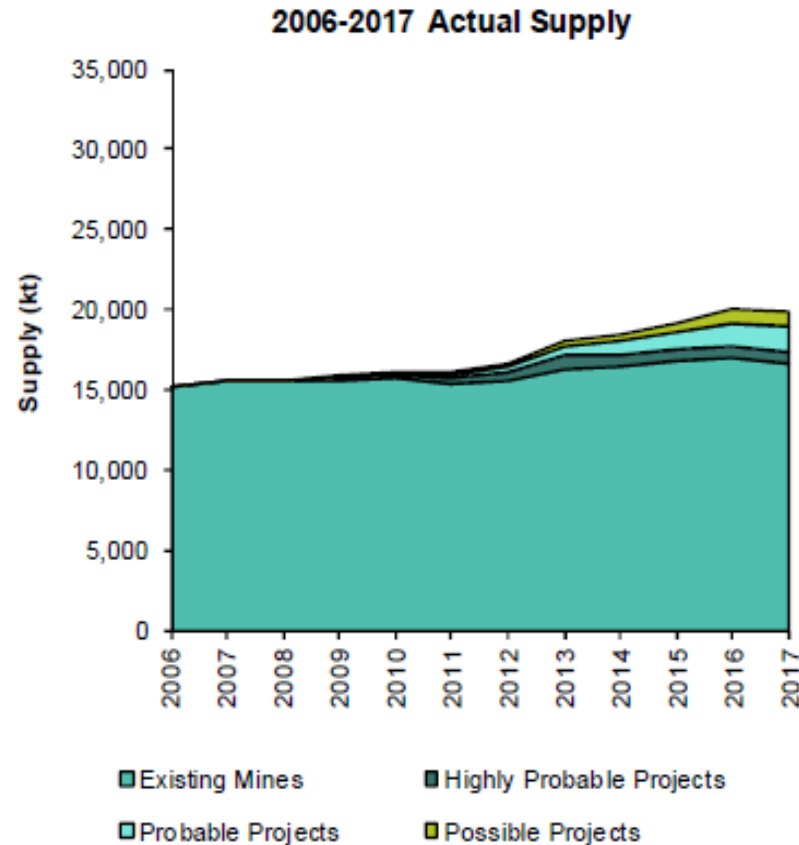
Mediocre supply response in relation to capex

EXHIBIT 4: In 2007, the maximum 2017 run-rate supply was estimated at 30.2Mt, +99% growth (+6.4% CAGR) generating fears about a possible "wall of supply"...



Source: Brook Hunt, Wood Mackenzie, Bernstein analysis

EXHIBIT 5: ... when in reality, despite the copper price hitting US\$10,000/t in 2011, supply actually grew just +31% (+2.5% CAGR).

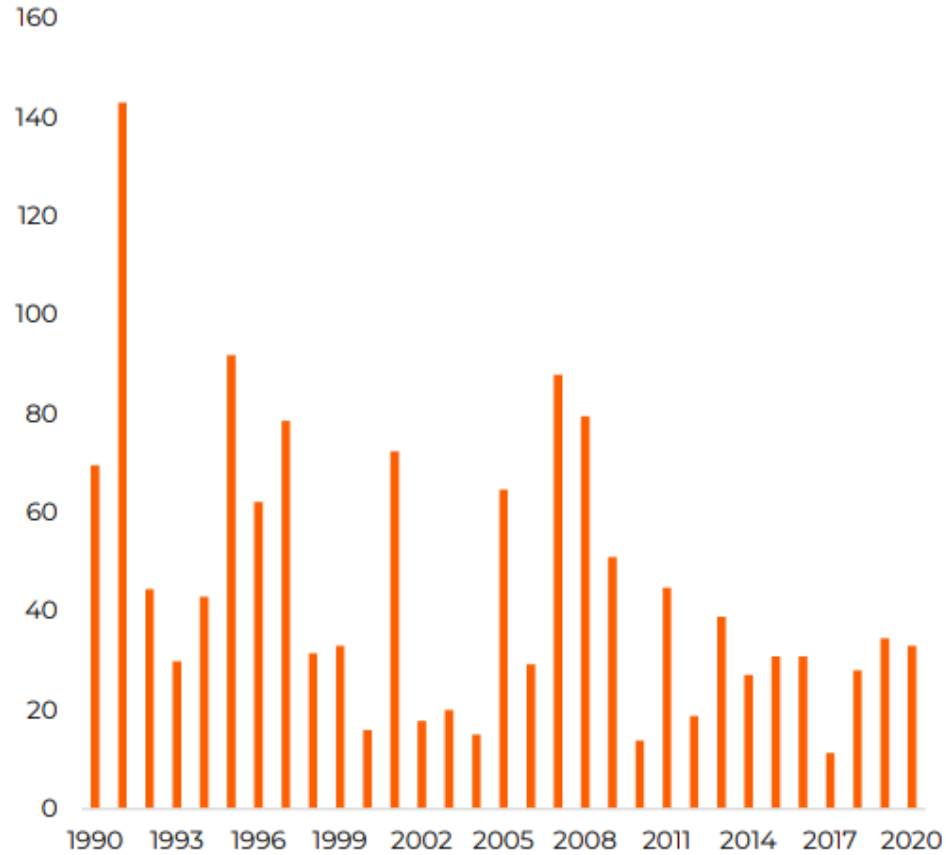


Source: Brook Hunt, Wood Mackenzie, Bernstein analysis

Time lag is a decade...

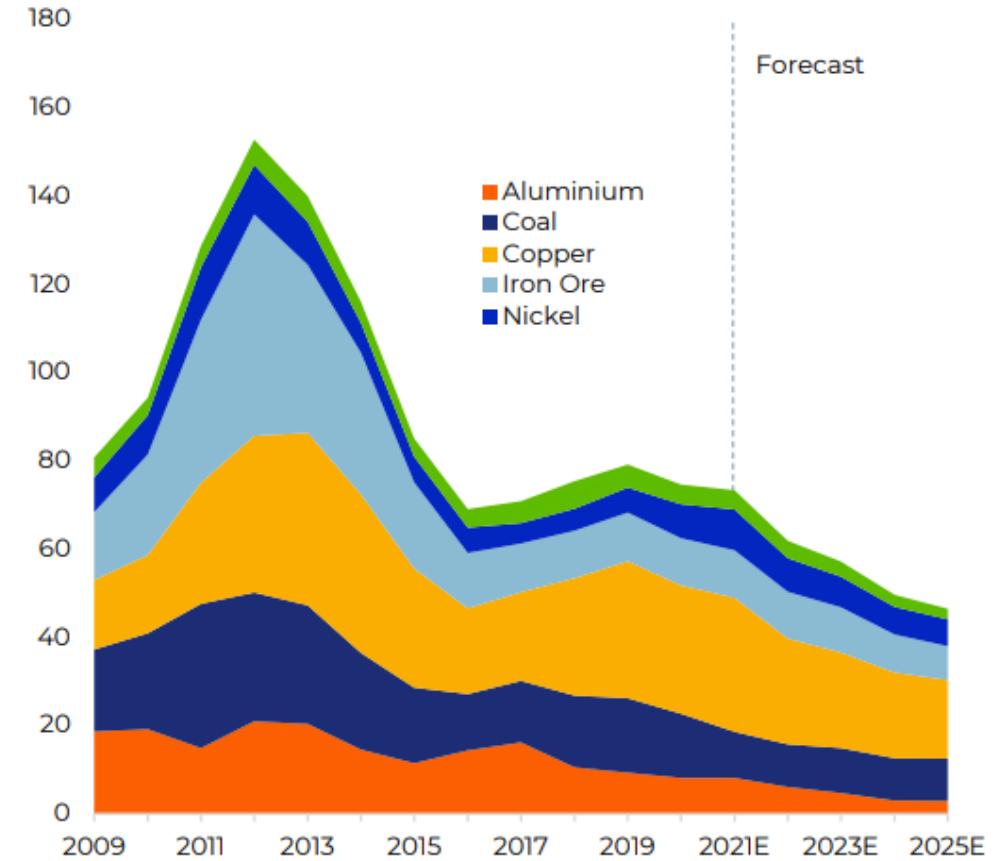
Discovery of new resources remains limited

Copper in major discoveries (Mt)⁽¹⁾



Trajectory of Capex

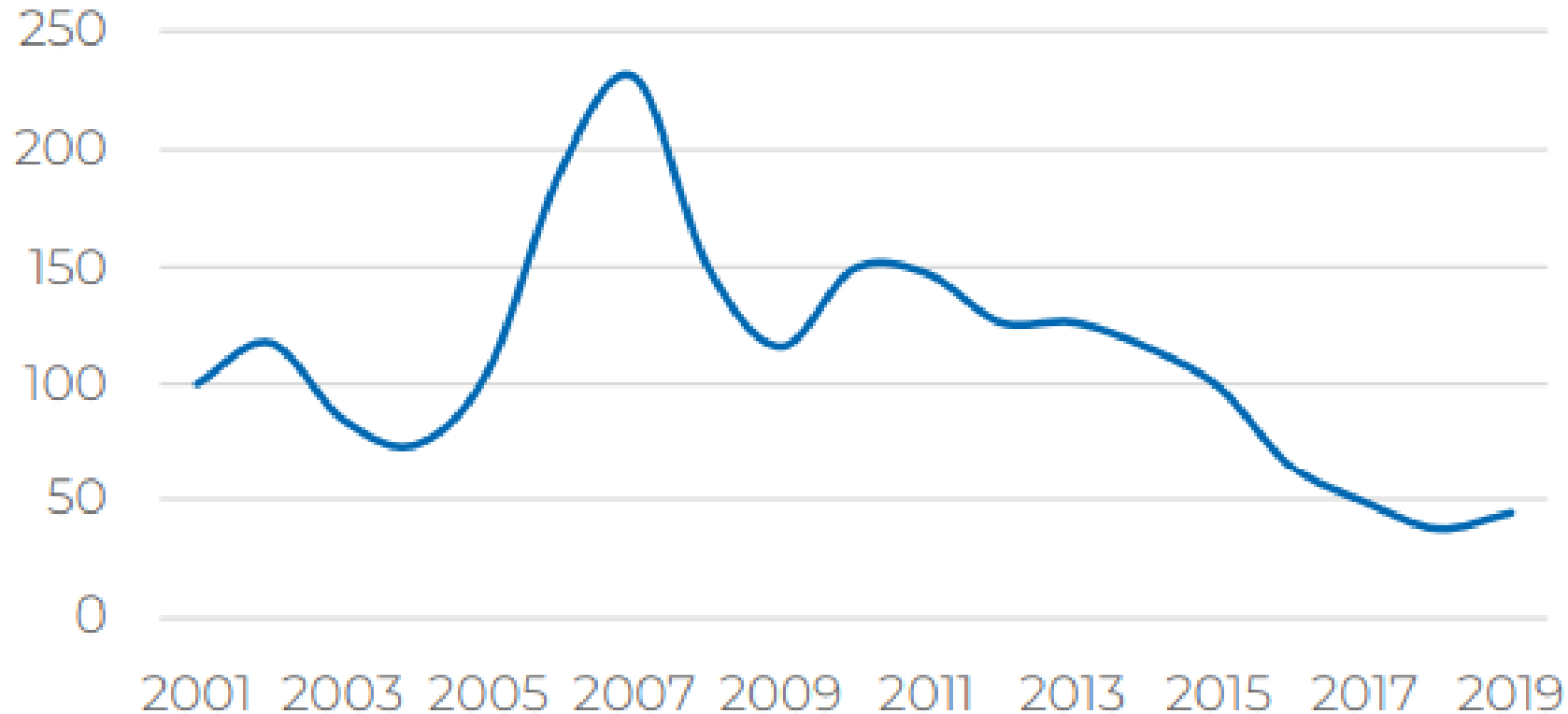
Expansionary and sustaining capex by commodity (\$bn)⁽²⁾



Project pipeline below pre-supercycle lows!

Copper mine project pipeline at pre-supercycle lows⁽²⁾

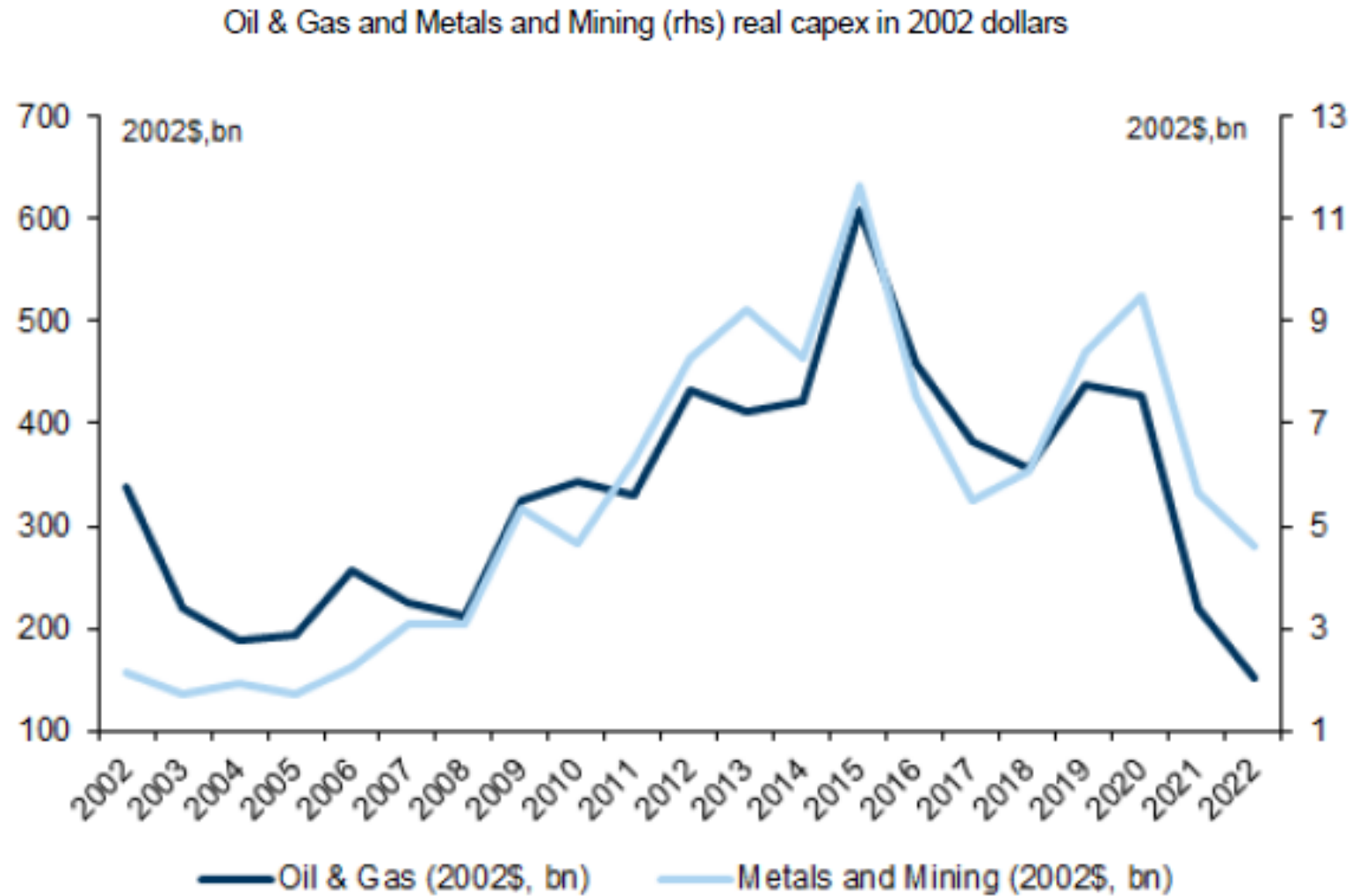
Indexed, 2001=100



ition. (2) Copper mine project

Glencore 2020 Investor Update

It does not get cheaper...

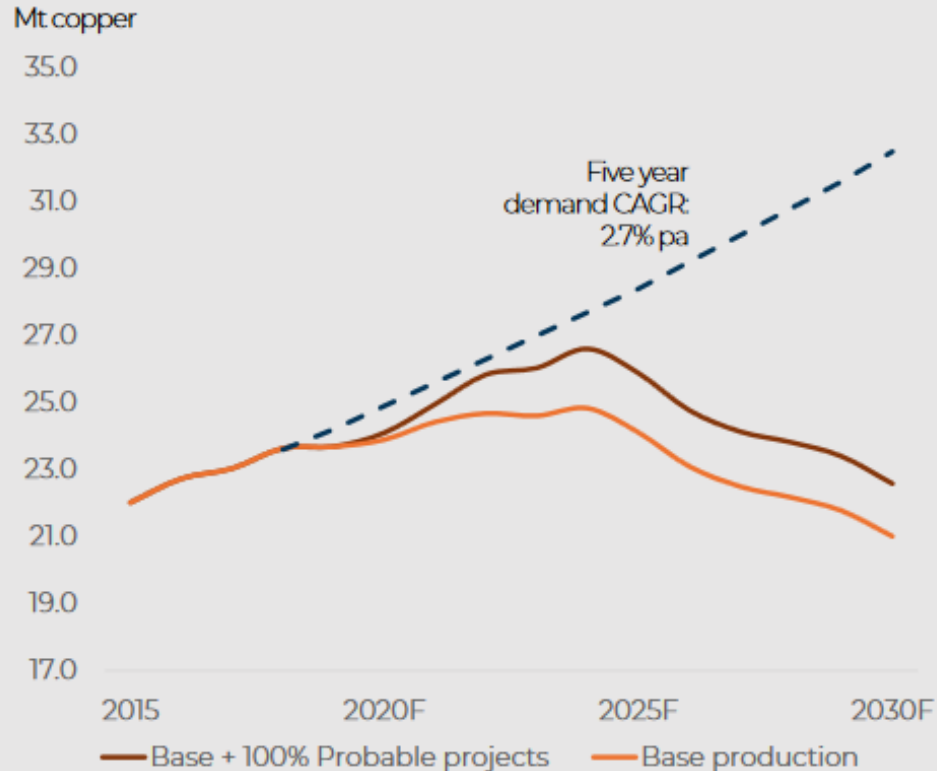


Source: Goldman Sachs/Baker Hughes

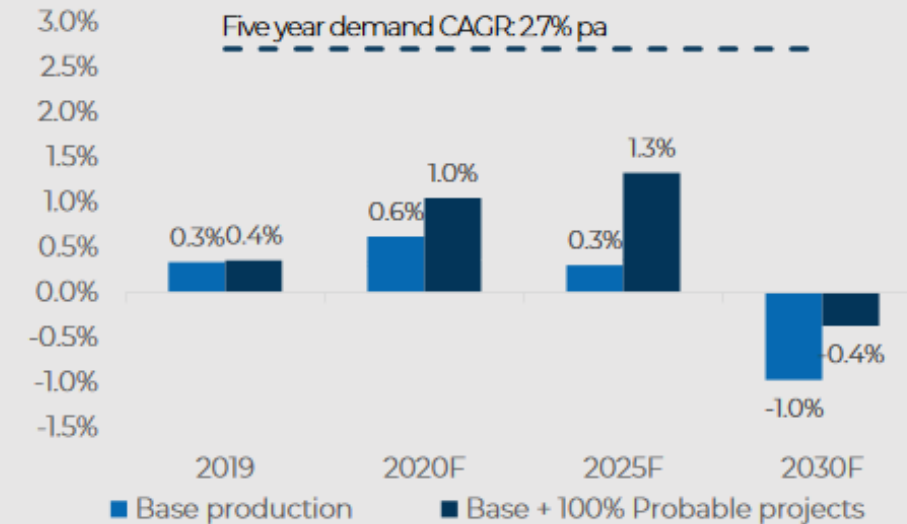
It has just started...

Structural deficits likely even with 100% of probable project pipeline

Historical demand trends imply continued copper deficits⁽¹⁾



Minimum copper demand needed for inventory draw⁽¹⁾



- In 2025... EV demand is equivalent to half of new supply from all Probable projects (assuming 100% are built)
- By 2030... EV demand is equivalent to almost double total new supply from all Probable projects

"The SIA value bracket"

Exploration

Discovery

Decision to move
into production

Announcement of
financing,
dillution, 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

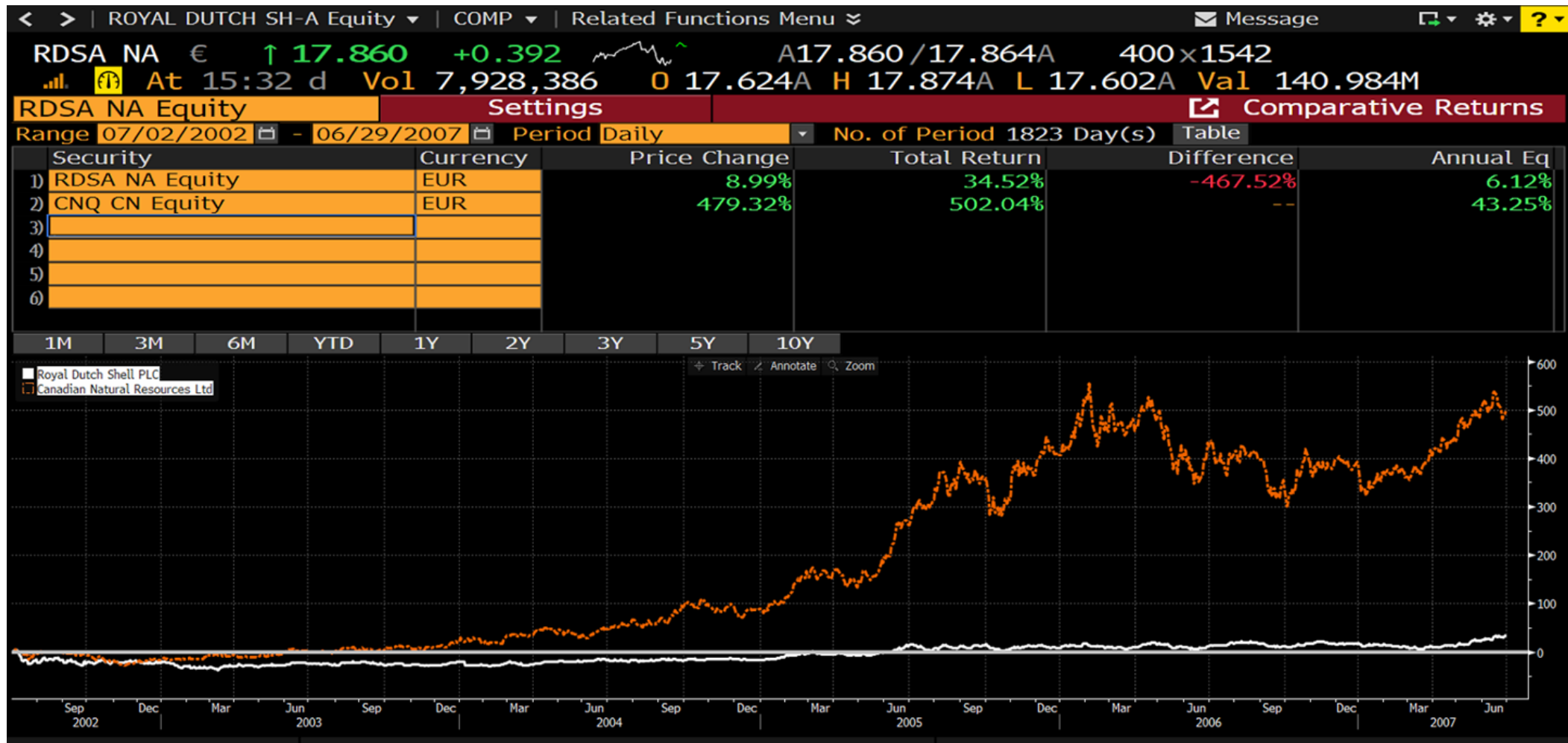
Production
fades

Expansion
is needed

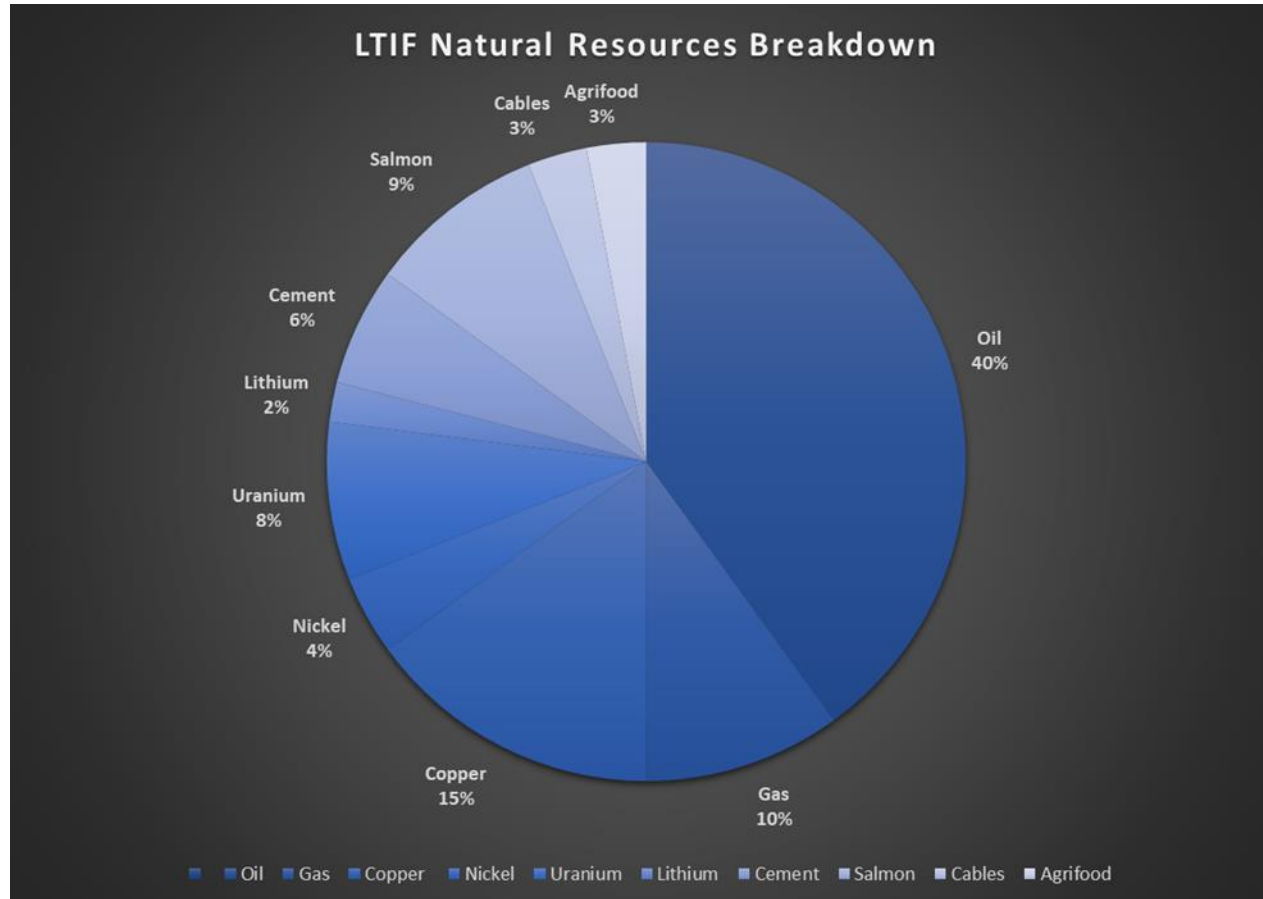
Going
undergrou
nd

New pits

Majors are defensive, underperform in bull market



The LTIF NR trip to outperformance



- **Scarce commodities**
- **Avoid majors**
- **TIER1 reserves & assets**
- **“Safer” geographies**
- **In/near production**
- **Good B. Sheets**
- **Sound management**

Quality is key for risk. Both concentrated and diversified

LTIF NR Top 10 Holdings

Name	Weight
Hess Corp	5.3%
Suncor Energy Inc	5.0%
Cenovus Energy Inc	5.0%
TGS ASA	4.4%
Hudbay Minerals Inc	4.3%
Cameco Corp	3.8%
HeidelbergCement AG	3.8%
Buzzi Unicem SpA	3.8%
EOG Resources Inc	3.8%
Aker BP ASA	3.8%
Total Top 10 Holdings	34.4%

- Quality of companies and funds.
The 4 Gs
- Concentration: 30% of the NR Fund is in 10 names
- Diversification is key.
Avoid concentration risks

Know your portfolio

We buy at a discount. The discount rises protection

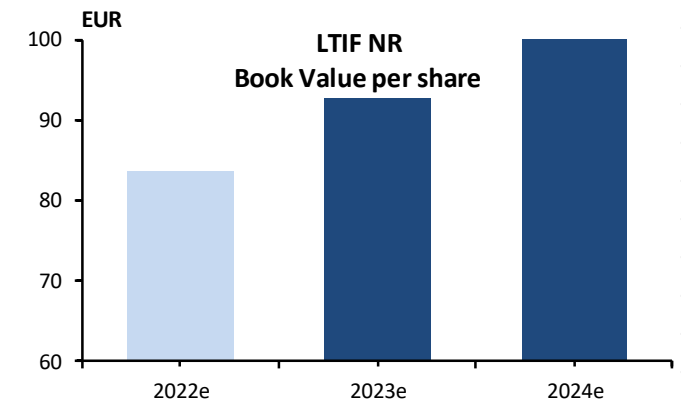
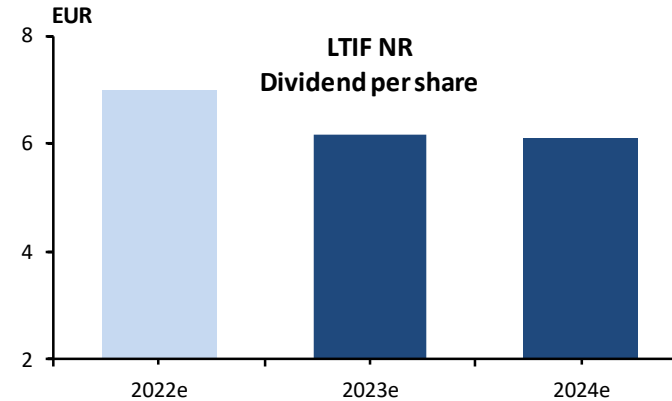
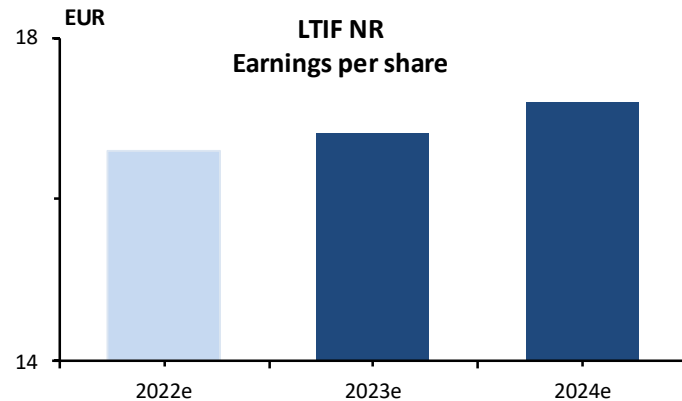
Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%

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

Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2022e	16.6		8.3	12.0%	7.6	13.2%
2023e	16.8	1%	8.2	12.2%	8.4	11.9%
2024e	17.2	2%	8.0	12.5%	9.4	10.6%

Year	DPS	%	Div. Yield	S&P NR Div. Yield
2022e	7.0		5.1%	4.3%
2023e	6.1	-12%	4.5%	4.7%
2024e	6.1	-1%	4.4%	4.4%

Year	BPS	%	P/B	S&P NR P/B
2022e	83.7		1.6	1.8
2023e	92.6	11%	1.5	1.5
2024e	101.6	10%	1.4	1.4



Source: SIA Group / Bloomberg

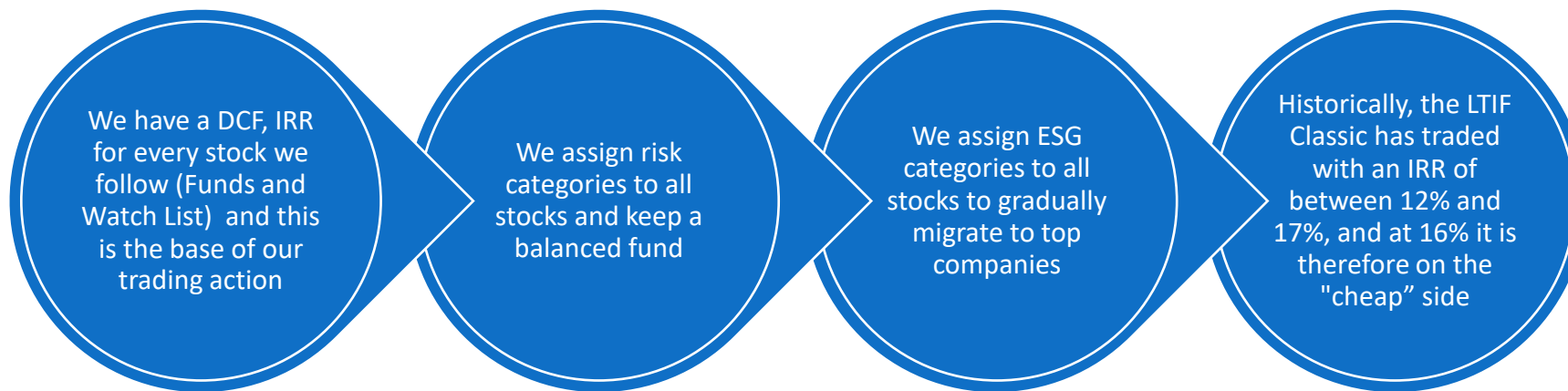
LTIF NR vs Benchmark very strong in positive markets



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- **Risk Management**
- SIA Funds is looking for long term partners

Valuation, Risk Categories and ESG are also risk management tools



- No trading, no hedging, no timing, no derivatives.
- Plain Long-Term Investing. Sometimes even boring.
- Sharpe and Sortino ratios are somewhat flawed because they link volatility to risk. We focus on returns.
- Real risk cannot be measured, it can be managed.

Why SIA Funds? What do we add?



Investment philosophy.
Strategic Value



Size. Boutique. Not constrained by institutional decisions



Experience: decades. Team working together for many years



Risk management. Quality biased. Risk averse. Capital preservation



Good track record: 9-10% p.a. since inception



Long term view: we look for partners not short-term traders



Transparent, Responsible, Honest.
We are partners with our clients (skin in the game)

SIA Funds is looking for long term partners

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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.



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