

L T I F

Long Term Investment Fund

SIA Funds. Strategic Value

«Value and Natural Resources back on track»

August 2024

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 200 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



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



- **Alex Rauchenstein, CEO (IC)**



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

**> 25 years
experience**

**Invested in
SIA Funds**

**Unconstrained
decision making**

The dominant theme in markets today

THE THREE TYPES OF ARTIFICIAL INTELLIGENCE (AI)

GENERAL AI: Machines possessing the same characteristics of human intelligence, capable of reasoning and thinking just as we do. Such General AI machines remain in the realm of sci-fi and films.

MACHINE LEARNING: The practice of using algorithms "train" machine to parse data, learn from it, and then make a determination or prediction about something in the world.

NEURAL NETWORKS: These are inspired by understanding the brain's biology and the interconnections between neurons. Some machines trained via deep learning are already an improvement on work done by humans.

EXPRESS

The AI
panic
is here

Some years back it was autonomous driving



Value: from headwind to tailwind



From Value to Strategic Value: the 4 Gs

- **Strategic analysis of the sector:** competitive framework, entry & exit barriers, historical returns, cyclicality, 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

The Classic since September 2011



- 4 risk categories initiated in 2011
- c.10% per year since 2011
- Doubling every 7 years; x4 in 14

Alpha is not the target but the consequence

PER 25 of 11.5x - well below the MSCI World

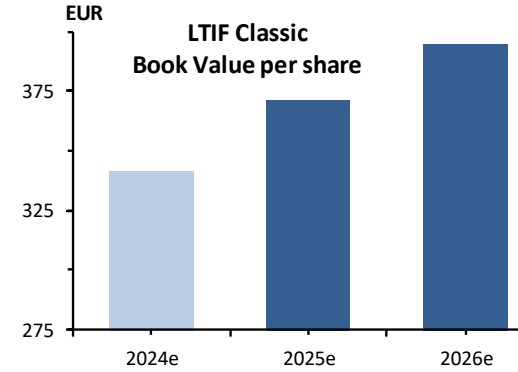
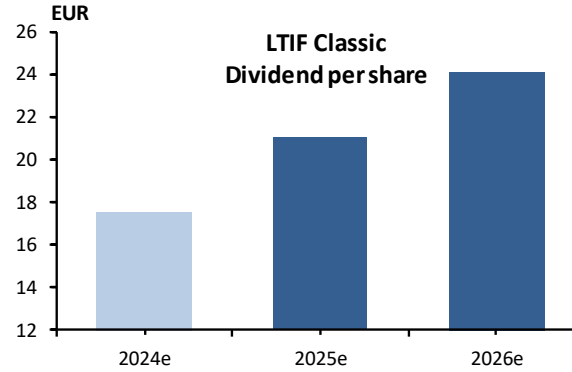
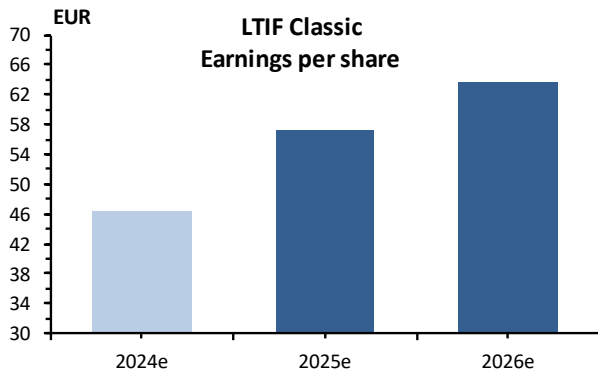
Date	NAV	%
31.12.2020	407.9	
31.12.2021	494.3	21.2%
31.12.2022	565.3	14.4%
31.12.2023	616.7	9.1%

Reporting LTIF Classic as of 30.06.2024 (aggregated data in EUR)

Year	EPS	%	P/E	EPS yield	MSCI World P/E	MSCI World EPS yield
2024e	46.4		14.2	7.0%	19.2	5.2%
2025e	57.2	23%	11.5	8.7%	17.2	5.8%
2026e	63.5	11%	10.4	9.6%	16.1	6.2%

Year	DPS	%	Div. Yield	MSCI World Div. Yield
2024e	17.5		2.7%	1.9%
2025e	21.0	20%	3.2%	2.1%
2026e	24.1	15%	3.7%	2.5%

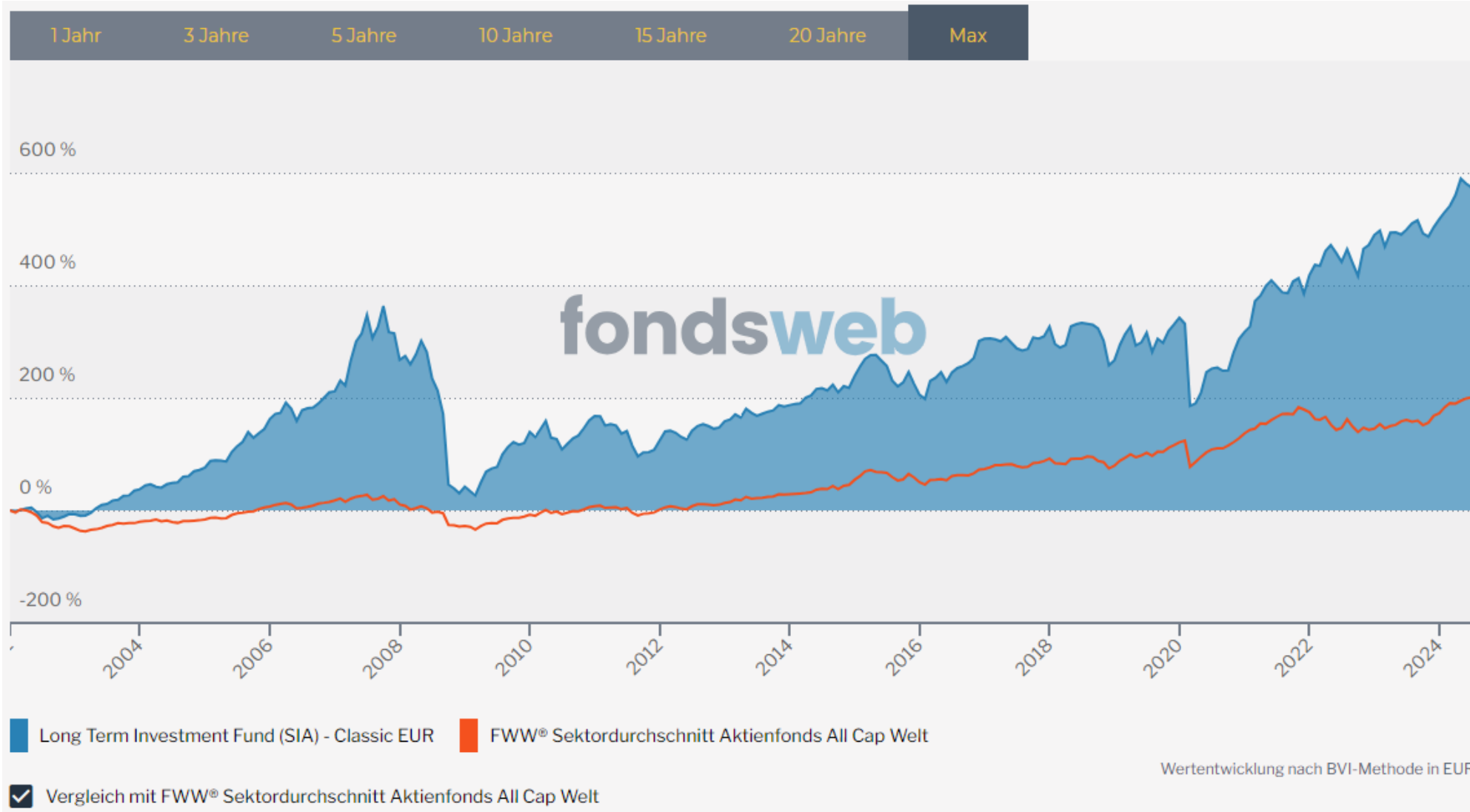
Year	BPS	%	P/B	MSCI World P/B
2024e	341.7		1.9	3.2
2025e	371.1	9%	1.8	2.9
2026e	395.0	6%	1.7	2.8



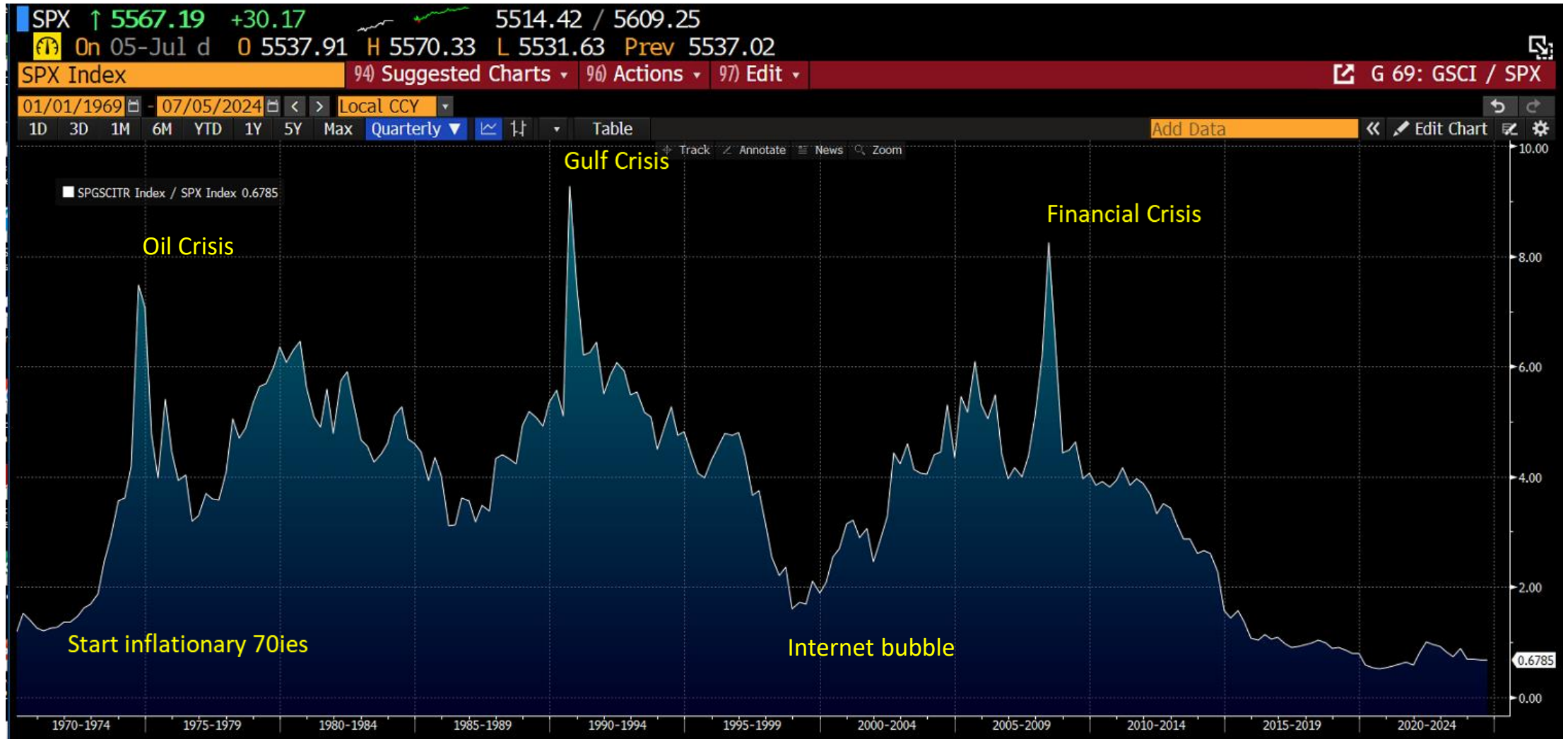
Source: SIA Group / Bloomberg

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

The Classic since inception vs competition

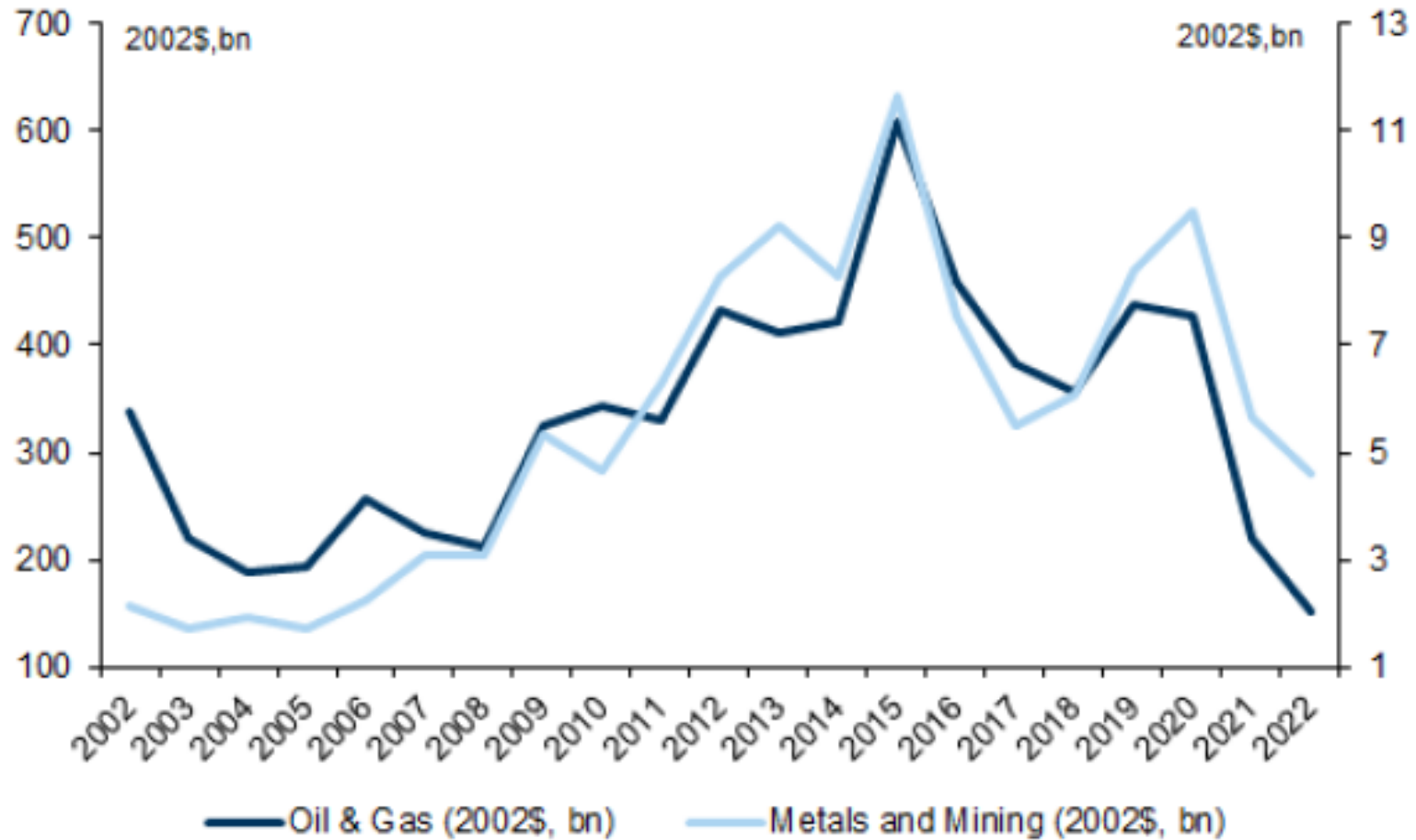


GSCI/S&P500 Ratio: As cheap as it can get



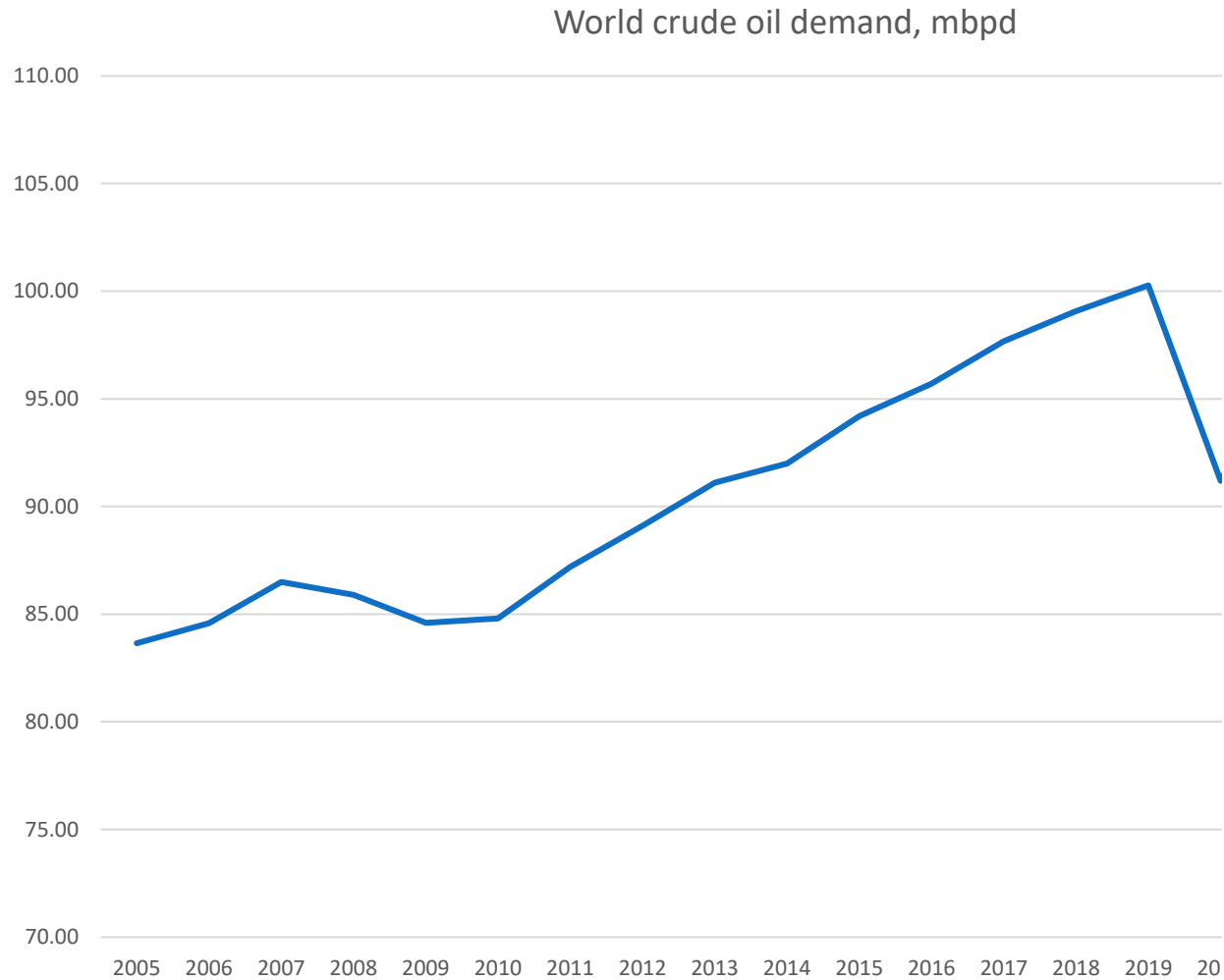
It does not get cheaper...

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



Source: Goldman Sachs/Baker Hughes

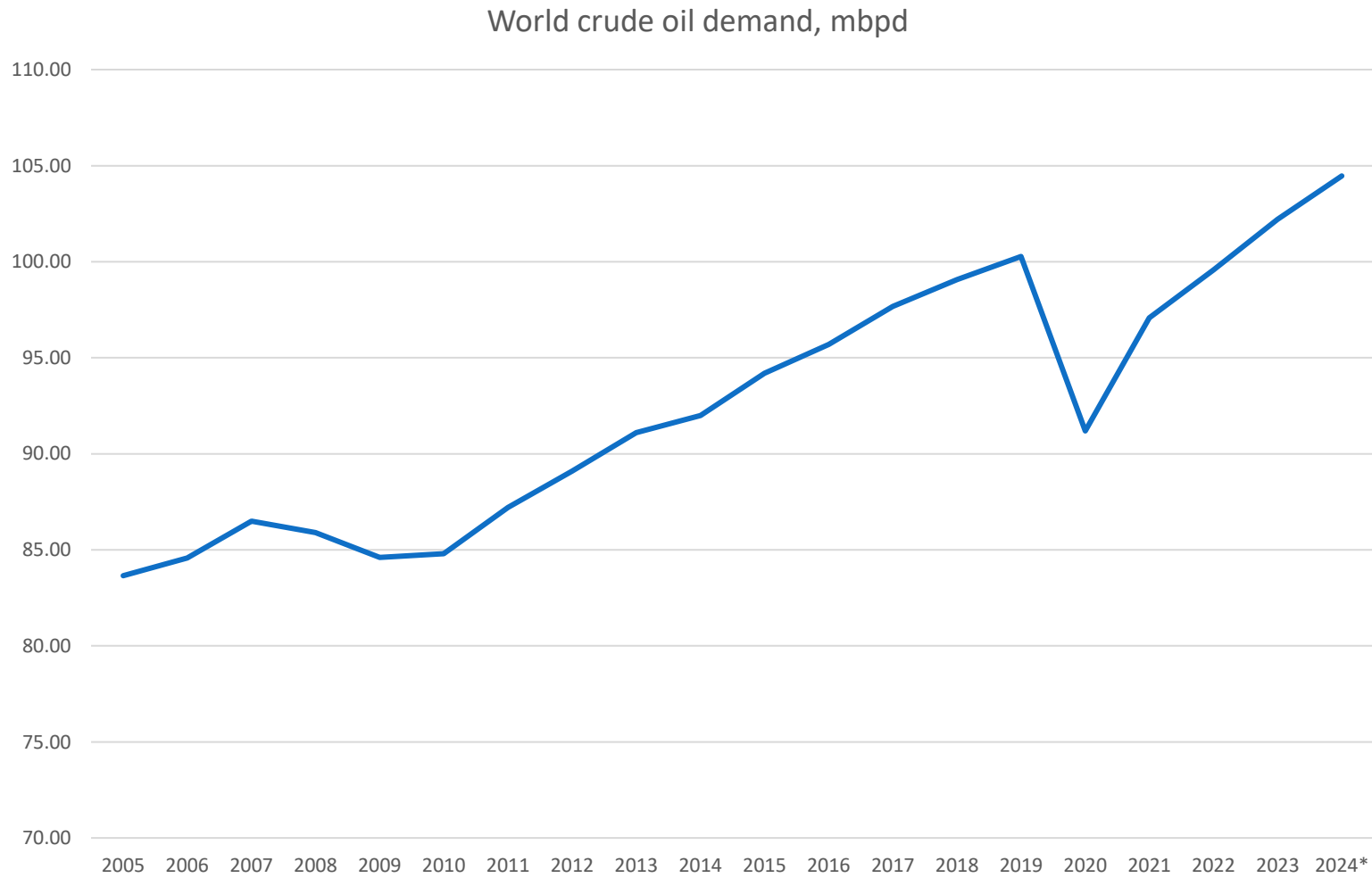
In 2020, many people thought peak demand had arrived...



In 2021, the International Energy agency was estimating a peak of 100 in 2019, going to 75 mbd in 2030

Source: OPEC

... but it hadn't

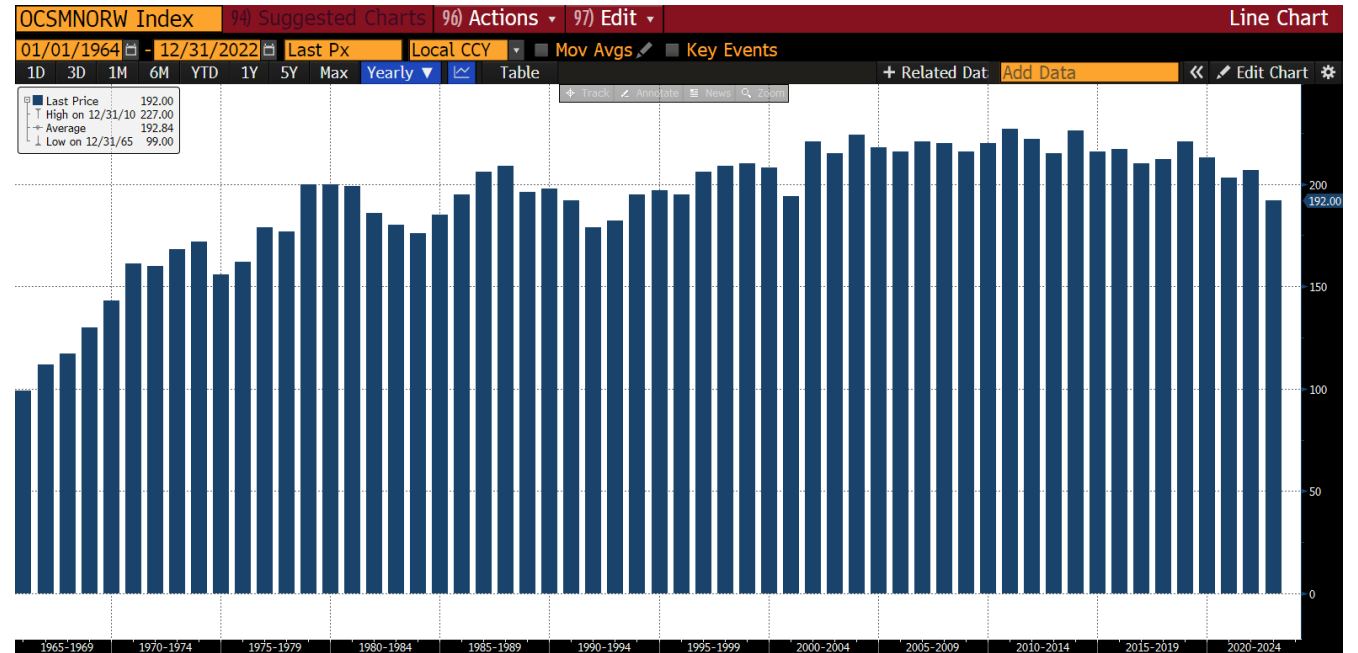
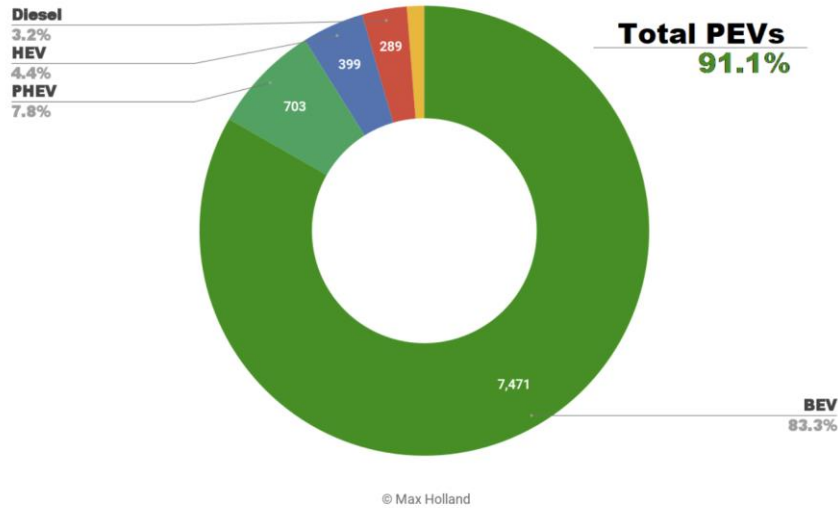


Source: OPEC

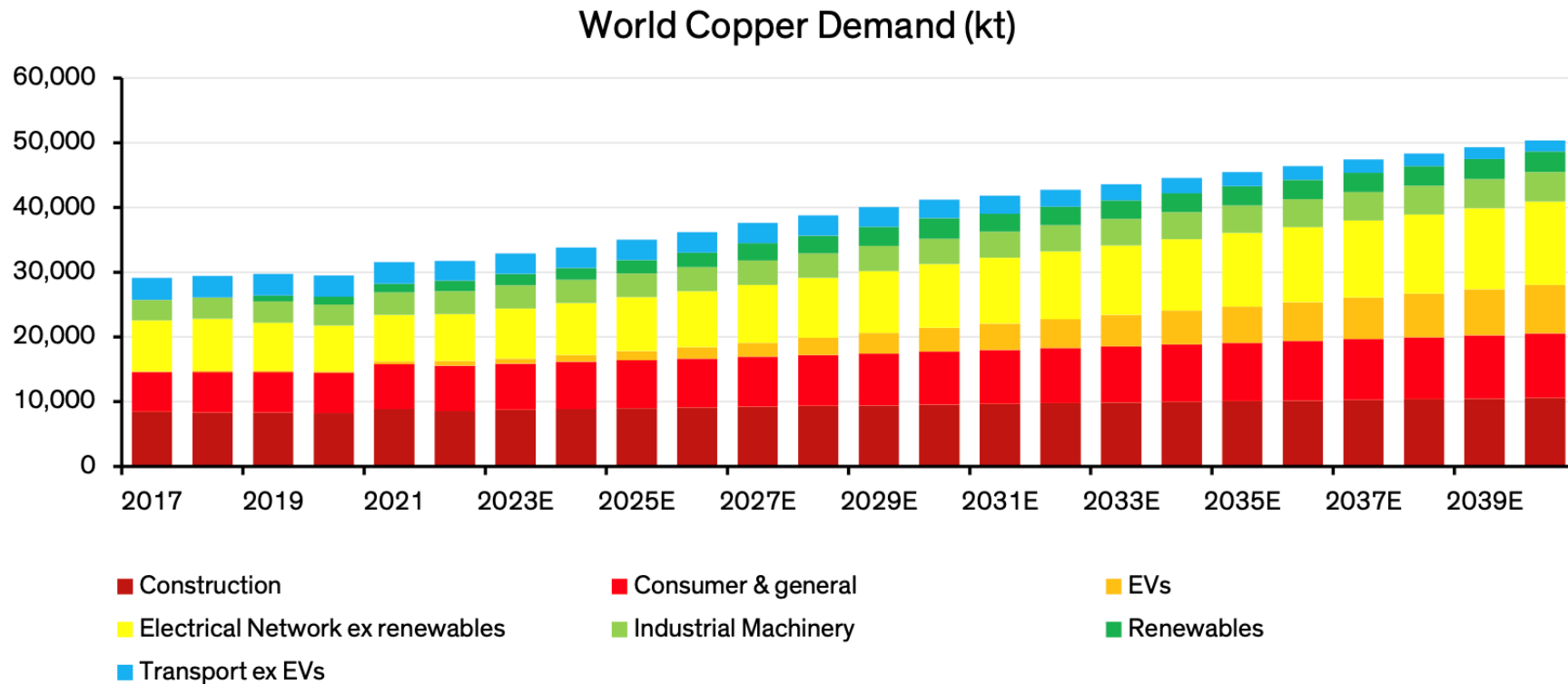
Oil is very hard to substitute for: the case of Norway

April 2023 Norway Passenger Auto Registrations

Data from OFV



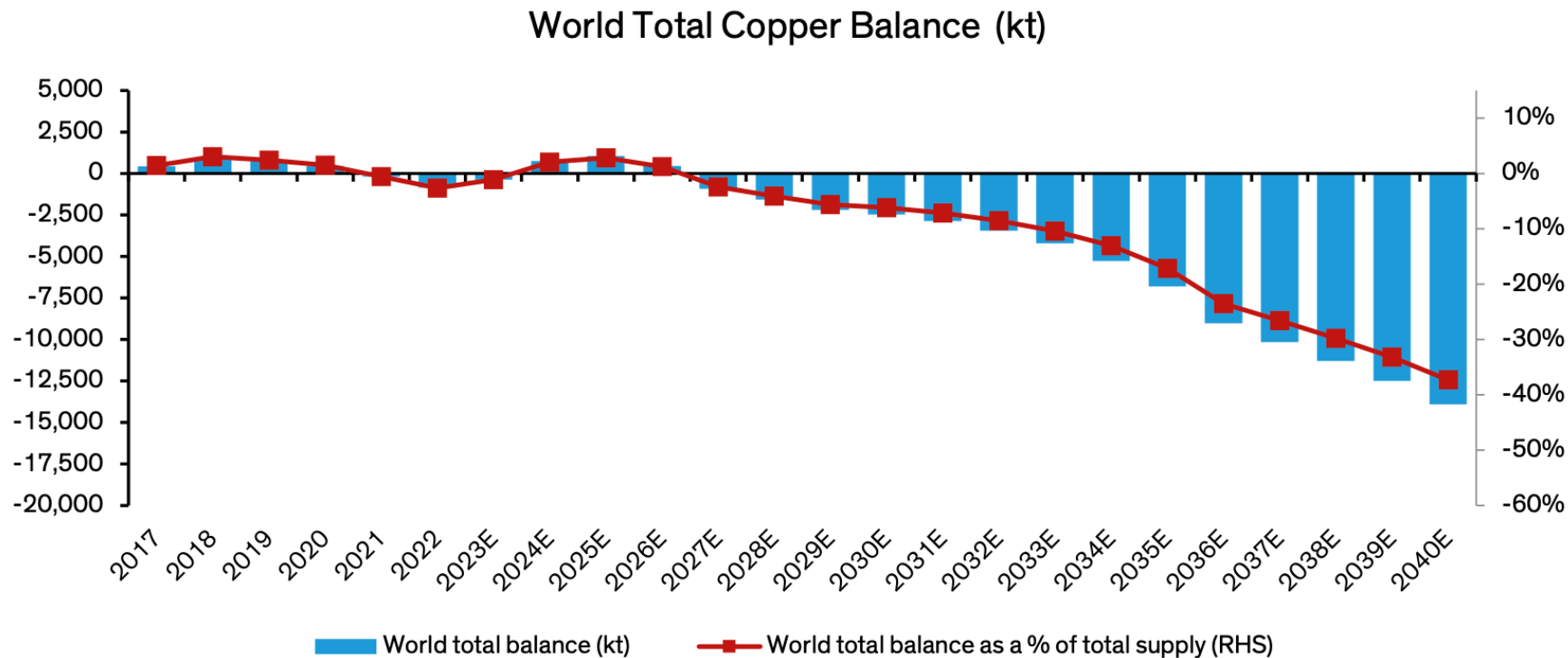
Copper: demand growth to accelerate



- Demand will grow by 1m tons per year compared to 0.5m
- Electric cars, batteries, wind, solar, grids, buildings ... will be electrified
- From 30m tons in 2020 to 50m in 2040 ie. 60 Cobre Panamá or 50 Kamoakakula in 20 years

Source: WoodMac, Bernstein analysis and estimates

Copper: structural deficit by 2025/26



- A copper mine takes a decade
- 4.0\$ per pound is too low
- Hurdles: ESG, tax & resource nationalism
- Resources are in high-risk countries

Source: WoodMac, Bernstein analysis and estimates

The copper market looks balanced for a couple of years. After 2025 we see a structural deficit. Timing will be dictated by the recovery of China and no short-term solution

The grid is one of the key limiting factors for the “transition”

POSITIONED FOR THE FUTURE

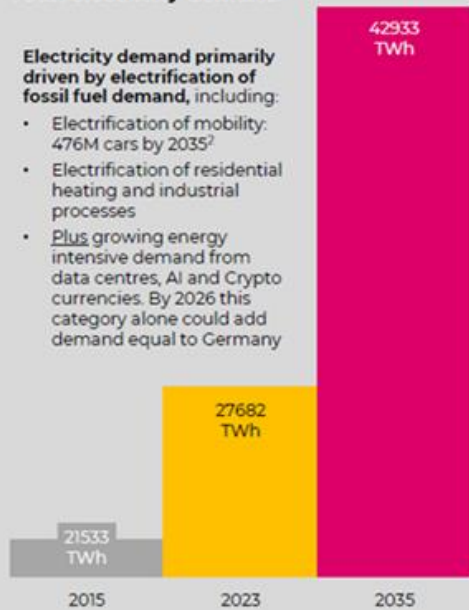
energising today | advancing tomorrow

Global electricity demand is growing ... and is projected to increase a further 55% by 2035 to drive the energy transition¹ ...

Total electricity demand¹

Electricity demand primarily driven by electrification of fossil fuel demand, including:

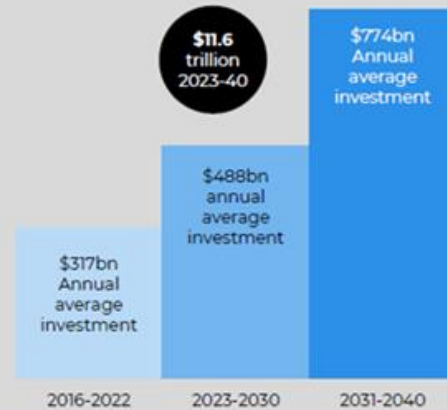
- Electrification of mobility: 476M cars by 2035²
- Electrification of residential heating and industrial processes
- Plus growing energy intensive demand from data centres, AI and Crypto currencies. By 2026 this category alone could add demand equal to Germany



... but despite accelerating investment in renewable energy³, global investment in grids has barely changed over the last five years⁴ ... the world's electricity grid is not ready yet ...

- More than 3TW of new renewable power projects are waiting in grid connection queues⁴ limiting the pace of the energy transition
- To meet national energy and climate goals, we need to add or refurbish more than 80 million kilometers of grids by 2040 – the equivalent of the world's existing grid⁴

Grid investment, APS scenario⁴



... underpinning the role of fossil fuel base load electricity in the energy systems of today

Despite rapid growth in China's renewable generation capacity, the majority of its 2023 electricity demand growth (of 538TWh⁵) was met by coal

China's future grid design incorporates energy hubs of renewables+coal

China 2023 electricity generation growth by source (TWh)⁵



Notes: [1] Source: IEA Electricity 2024 and World Energy Outlook 2023, APS scenario. [2] Source: BNEF, Long term electric vehicle outlook, includes BEV and PHEV. [3] Bloomberg NEF, Energy Transition Investment Trends 2024, 30 January 2024. [4] IEA Electricity Grids and Secure Energy Transitions, October 2023. [5] China National Statistics, Glencore estimates

GLENCORE

2023 Preliminary Results

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Never listen to demand stories!



Stanley Wittingham ([Wiki](#)) co-invented the lithium-ion battery in the 70s and Exxon was the financial sponsor. After a few years, they decided to cut the program as the batteries would catch fire (one of the many reasons). In 2019 together with other scientists Wittingham won the Nobel price for developing the Lithium-Ion battery ([Wiki](#)). It took 50 years to develop an idea that XOM sponsored but never monetized.

Fast forward to today, and XOM is announcing that they are planning to become a leading producer of Lithium and begin production in 2027. While it is not a material opportunity for XOM, Lithium stocks (ALB and LTHM) are getting hit today.

Do you now need to buy uranium...



There are three simultaneous cycles

	Origin	Duration	Impact
Investment	Length of time to absorb excess supply; length of time to develop new supply Inelasticity	10 to 15? years	Multiply prices by more than 5 times
Economic	Fluctuation in demand due to GDP growth fluctuations	6 to 18 months (typically)	Fluctuations in prices of 20%
Financial	Financial actors' anticipation, speculation	Weeks	Fluctuations in price of some 20-24%

"The SIA value bracket"

Exploration

Discovery

Decision to move
into production

Announcement of
financing,
dillution, hedging

Cost overrun

Permitting problems

Delays

Investors throw the
towel

Bank hike debt costs

**Spent \$ can be
bought for Cents**

**Cashflow starts
kicking in**

**Debt is being
reduced**

**Dividends are
being announced**

Production
fades

Expansion
is needed

Going
undergrou
nd

New pits

Coal 3x > Iron / oil 4.5 billion t / cement 4.1

E



ALL THE METALS WE MINED

IN 2021

The world produced roughly **2.8 billion tonnes** of metals in 2021. Here are all the metals we mined, visualized on the same scale.

IRON ORE

2,600,000,000 tonnes*

= 1,000,000 tonnes

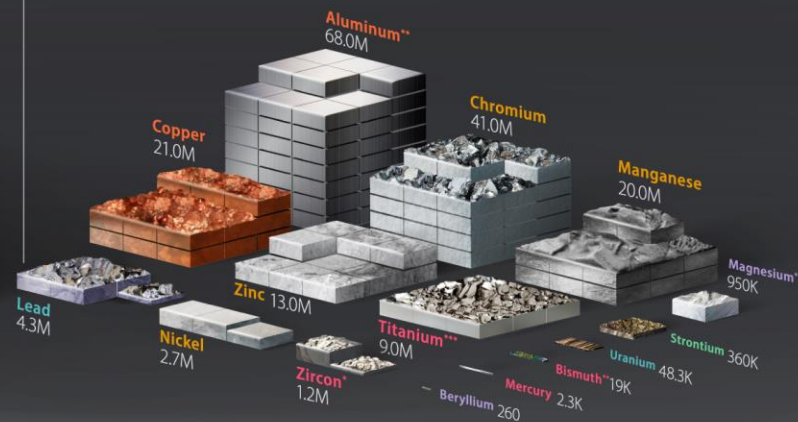


LARGEST END-USE

- Steelmaking
- Construction
- Chemicals
- Alloying Agents
- Energy/Batteries
- Magnets
- Electronics
- Other

INDUSTRIAL METALS

181,579,892 tonnes



TECHNOLOGY AND PRECIOUS METALS

1,474,889 tonnes



ELEMENTS

Source: USGS Mineral Commodity Summaries (2022)

*Ore production does not reflect actual metal production as metals only make up a certain portion of ores.

**Smelter/refinery production.

***Represents titanium mineral concentrate production.

ELEMENTS.VISUALCAPITALIST.COM

Scarcity = costs



Real live is very complex...

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



10.4x earnings & 1.6x book 2025 - below mid-cycle

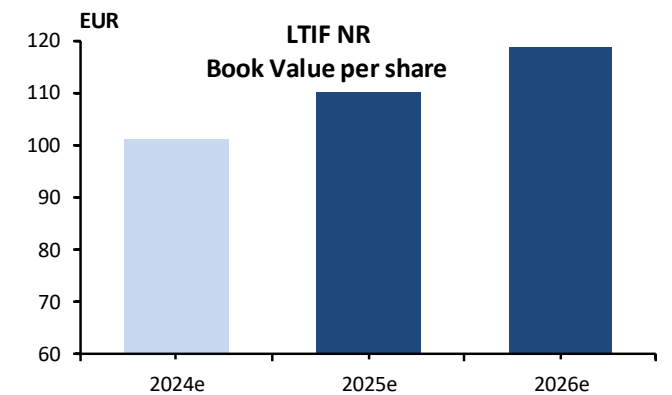
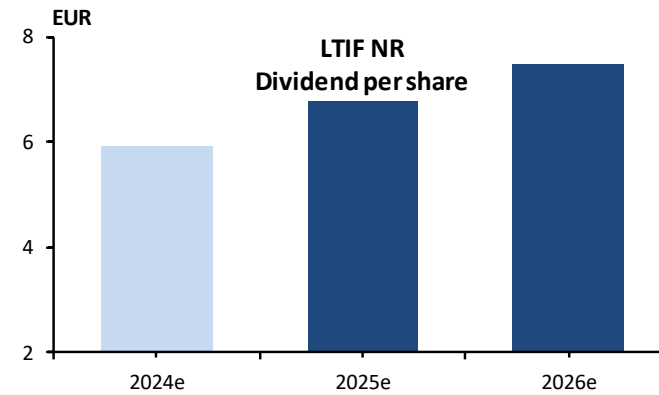
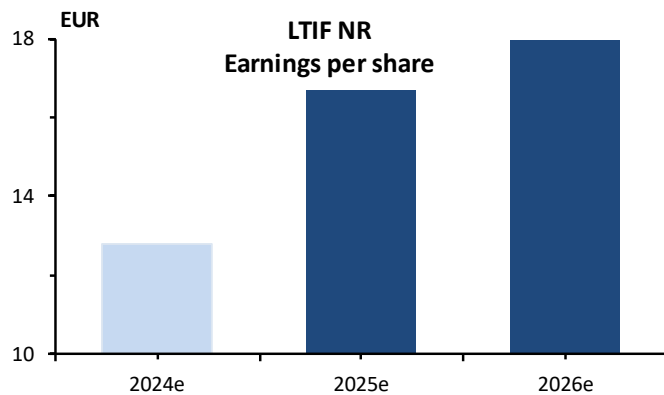
Date	NAV	%
31.12.2020	87.1	
31.12.2021	122.5	40.7%
31.12.2022	138.4	12.9%
31.12.2023	150.3	8.6%

Reporting LTIF NR as of 30.06.2024 (aggregated data in EUR)

Year	EPS	%	P/E	EPS yield	S&P NR P/E	S&P NR EPS yield
2024e	12.8		13.6	7.3%	12.2	8.2%
2025e	16.7	31%	10.4	9.6%	10.8	9.3%
2026e	17.9	7%	9.7	10.3%	10.6	9.5%

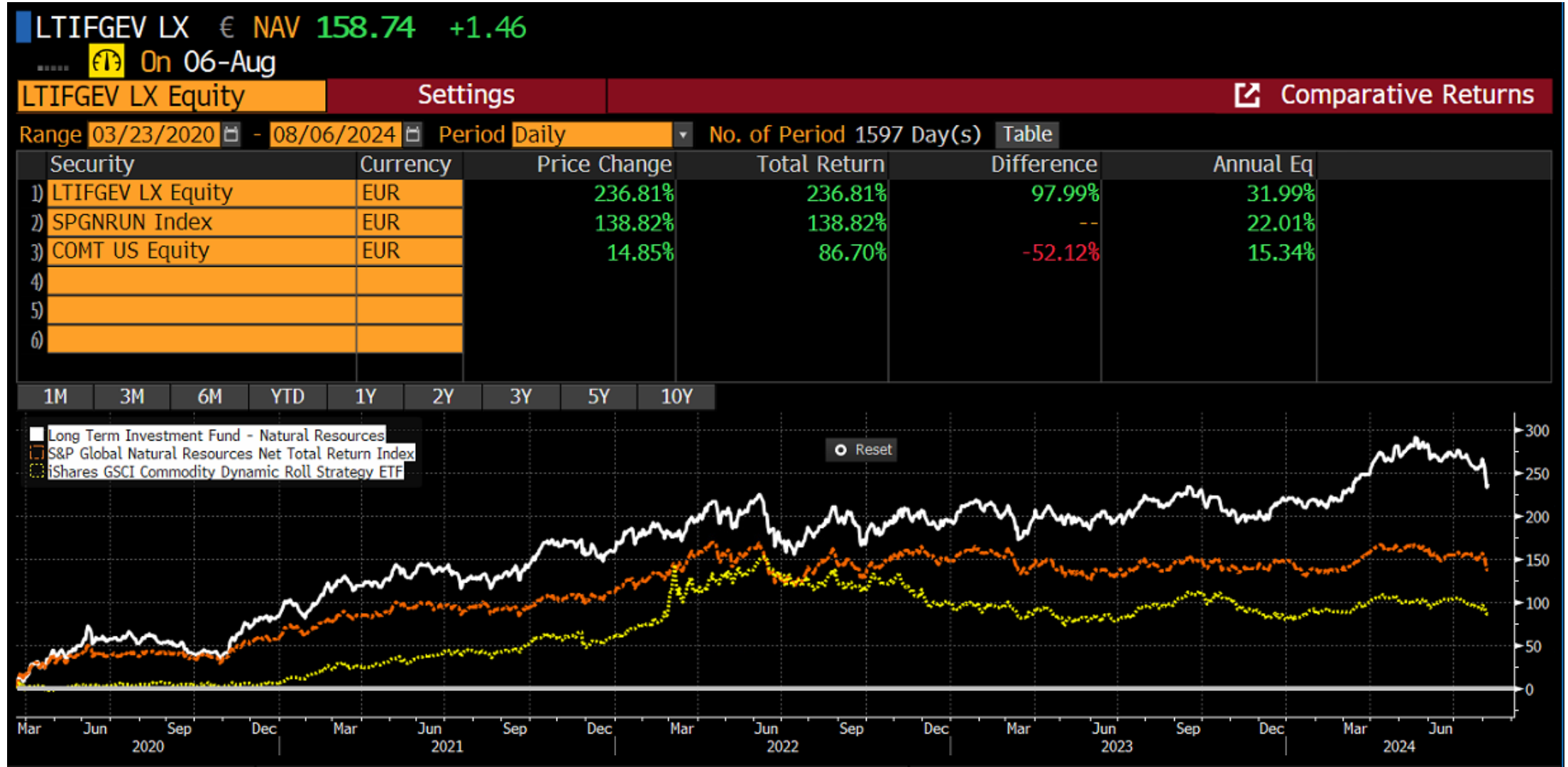
Year	DPS	%	Div. Yield	S&P NR Div. Yield
2024e	5.9		3.4%	3.5%
2025e	6.8	14%	3.9%	3.7%
2026e	7.5	10%	4.3%	3.9%

Year	BPS	%	P/B	S&P NR P/B
2024e	101.3		1.7	1.7
2025e	110.2	9%	1.6	1.5
2026e	118.5	8%	1.5	1.4



Source: SIA Group / Bloomberg

LTIF NR a good instrument in a bull market



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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DISCLAIMER: LTIF (SIA) Classic and Natural Resources

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