INDEPENDENT
CAPITAL GROUP

ENERGY
CHAMPIONS FUND





ECF Factsheet | **July 2020**

Fund objectives

The fund aims to generate long term capital growth by primarily investing in equities from companies offering exposure to the energy market.

Fund facts

Investment manager
Independent Capital Group AG
Fund name
White Fleet II Energy Champions Fund
Legal status
Luxembourg SICAV with UCITS IV status
Base currency
USD
NAV calculation
Daily
Inception date
March 2014
Fund size
USD $9.2m
Benchmark
MSCI World Energy Sector Net TR Index
Custodian
Credit Suisse (Luxembourg) S.A.

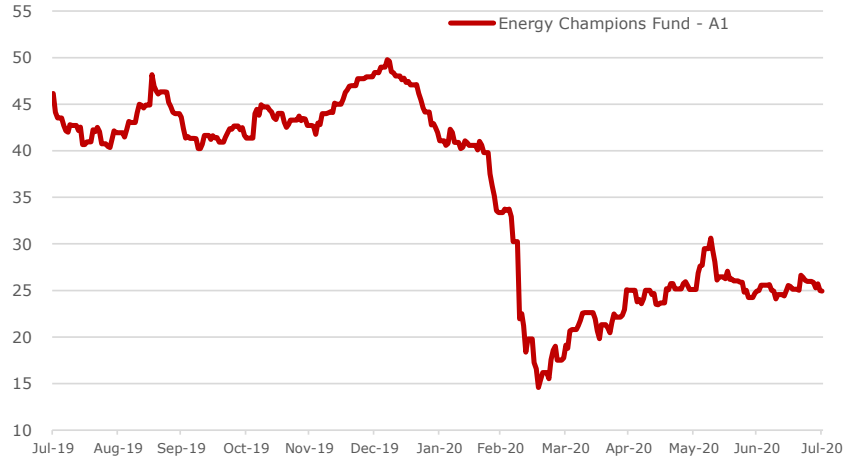
Codes

Share classes
A1 Accumulating
A2 Distributing
I2 Distributing
Bloomberg ticker
A1 WFECHA1 LX Equity
A2 WFECHA2 LX Equity
I2 WFECI2D LX Equity
ISIN
A1 LU1018863792
A2 LU1018863875
I2 LU1092313045
Valor-Number
A1 23322792
A2 23322921
I2 25025474

Dealing & prices

Mgmt fee p.a.
A1 1.25%
A2 1.25%
I2 0.65%
Min Subscription
A1 1 share
A2 1 share
I2 $2m
Trading frequency
Daily

Performance over 1 year



Cumulative net performance in USD

	NAV 31.07.2020	July 30.06.-31.07.2020	YTD	CY2019	3 Year	Since Inception
Fund A1 Acc.	24.9	0.0%	-48.5%	11.0%	-53.0%	-75%*
Fund A2 Distr.	22.5	0.0%	-48.5%	11.0%	-53.0%	-75%*
Fund I2 Distr.	221.3	0.1%	-48.3%	11.7%	-52.1%	-75%**

**Indicative Total Return calculations / Inception date: Fund A1/A2 28.2.2014, **Fund I2 12.9.2014*

Monthly comment

Analysts see global oil supply falling by 1mbpd from 2Q into 3Q, driven by a drop of 0.5mbpd for both non-OPEC and OPEC production. The massive cut in capital expenditures by oil companies could lead to structural oil production declines in non-OPEC countries, such as the US, in 3Q 2020. Supply should start to increase again, albeit modestly, in 4Q versus 3Q, when production from OPEC and its allies is set to rise due to the tapering of the oil production cuts and as curtailed oil production in North America should be restored by then. Looking at demand, analysts continue to envision a gradual rebound through the year-end and into 2021. However, end-2020 demand could fall well short of end-2019 levels given that people will take some time to return to their old habits after covid related restrictions are lifted. The market sees oil demand down 3–4mbpd year over year in 4Q 2020, weighed down by less economic growth and changes in behavioural patterns (home working, fewer flights). Oil demand in the aviation sector will likely only recover more strongly when a vaccine has been developed. The increase in people driving to work or parks, instead of using public transport, should somewhat offset the demand crunch. The subdued supply, combined with the returning demand results in an expected undersupply of the oil market in 2H 2020 and 2021. Looking at companies, Exxon is pulling multiple levers to preserve its dividend. After posting a 2Q loss of $1.1 billion, marking the oil giant's first back-to-back money-losing quarter in at least 36 years, the oil major said it has identified significant potential for additional reductions and is preparing deep spending as well as job cuts as it fights to preserve a 8% shareholder dividend, also, the company noted that capital spending in 2021 will be lower than this year's. Exxon already slashed this year's budget by 30% in April. European oil majors like France's Total or Anglo-Dutch Shell scraped out small profits against expectations of losses in 2Q with the help of the trading units which can exploit market gyrations even when prices fall. Shell for example avoided its first quarterly loss in recent history after bumper earnings in its trading business. Adjusted earnings fell to $600 million from $3.5 billion a year ago, beating analysts' forecasts of a $674 million loss. There was also M&A activity in the oil market last month, with Chevron to buy Noble for $5 billion in stock which marks the biggest oil deal since prices crashed. The oil price crash has decimated shares of many energy companies, making them attractive targets for those that have weathered the downturn and have the resources to buy. Chevron ended the first quarter with a cash pile of $8.5 billion after withdrawing a $33 billion bid for Anadarko last year and then being among the first big oil companies to slash spending during the downturn.

INDEPENDENT CAPITAL GROUP

ECF Factsheet

July 2020

Financial statistics*

Number of holdings	25
Market cap	$22.4bn
P/B ratio	1.1x
P/cash flow	3.0x
EV/EBITDA 2021E	4.9x
FCF yield 2020E	6.9%
Dividend yield	4.0%
Net debt/equity	41%

Operating statistics in boe*

Production	294 kboe/d
Reserve life 1P	12 years
Cash costs	$13/boe
EV/1P proven reserves	$10/boe
Production CAGR 2019-23E	2%

Market cap. segmentation*

Small	< $3bn	33%
Mid	$3 - 30br	43%
Large	> $30bn	24%

Top commodity exposure*

Crude & liquids	70%
Natural gas	30%

Top 5 country exposure (production)*

United States	46%
Canada	8%
Brazil	7%
Russia	4%
Nigeria	4%

Top 5 holdings

Continental Resources	5.5%
Canadian Natural Resources	5.0%
Cabot Oil & Gas	4.9%
Parsley Energy	4.8%
Concho Resources	4.7%

ESG transparency	ECF	Universe
CO2/mboe	15	38
GHG/mboe	24	50
Waste/mboe	1.0	2.2
Gas flaring/mmboe	0.8	5.8
Spills/mboe	5.9	8.1
Fatalities/th.empl.	0.02	0.15
%Women on baord	20%	13%
Board independence	72%	66%
Insider ownership	10%	5%

The ECF is the first fund in Switzerland and the first energy fund globally to have received South Pole Carbon's label as a "Climate Impact Transparent Investment"

Why commodities

Commodities have been key in the economic development of the world. The industrialisation and urbanisation of the developing world is far from complete. Urban population is expected to grow globally from 52% to 66% by 2050. Urbanisation drives per capita wealth increase and with it the demand for natural resources. The increase in average income is happening on an unprecedented scale and speed. During the next 20 years the world population is expected to grow larger and on average younger. Middle class expands on a global basis, more than doubling by 2030 to reach >5 billion people. India and China show the largest increases with each reaching more than 1 billion middle-class citizens, China alone has the potential for 250 million people to urbanise in the next 10 years. By 2030, global middle-class consumption is expected to be more than $63 trillion vs $35 trillion in 2015. Demand for commodities remains continual, while they are becoming scarcer.

Why natural resource equities and the Energy Champions Fund

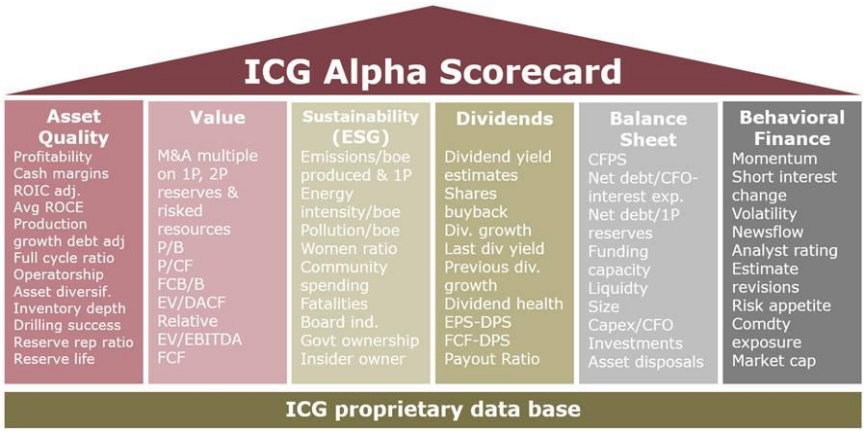
Natural resource companies are entering a phase of improving margins and the valuation is very low on a relative basis compared to the global equity markets. A portfolio of natural resource equities reduces firm specific risks while it increases the commodity exposure. The Energy Champions Fund offers the investor the opportunity to participate in an actively managed portfolio of natural resources companies active in the energy sector and this in a pragmatic sustainable way. This means considering sustainability criteria without losing sight for return.

ICG Investment Process

Our investment process is based on a quantitative approach to find the best-in-class companies. The consistent methodological process, which has been backtested successfully, is non-predictive with >90% of the analysis based on historical data. Our process has a portfolio view and helps to create a balanced portfolio instead of single stock bets or market cap weightings. After defining the broad investment universe, selecting the best-in-class subsectors with the highest margins or most attractive investment opportunities, the universe is further filtered down to companies with significant subsector exposure. To properly analyse natural resource related companies, the ICG Investment team makes use of standardised data. We developed a proprietary data base to better analyse financial and operating figures. Extensive data is used (>170'000 data points) to analyse trends across the industry and pinpoint sector champions.

ICG Alpha Scorecard

To better measure the relative attractiveness of natural resource companies in a specific subsector we use sub-sector Alpha Scorecards to facilitate the investment decision. The ICG Alpha Scorecard is a quantitative and qualitative screening scorecard that pinpoints sector champions with strong economic «moat» based on different variables. The approach helps to identify companies with a relative good track record in different key financial and operational variables (statistically robust dependence of performance to scorecard variables). The majority of variables are based on historical figures from the last fiscal year or based on a 3 year average. The majority of variables are also dynamic. The Investment Management team selects the top 25 companies based on the ICG Alpha Scorecard ranking. All positions are equally weighted, however we may reduce the weight or even exclude a company on exceptionally events (e.g. oil spill, political risk). Monthly position update based on all instruments and rebalancing is only done if it makes sense.



Contact

Independent Capital Group AG
Gottfried-Keller-Strasse 5
8001 Zurich
+41 44 256 16 16
http://www.independent-capital.com

Investment Manager

The Energy Champions Fund is managed by Independent Capital Group AG, an independent asset management and investment advisory firm based in Zurich and Basel. Independent Capital Group AG has taken over the team of the commodities and energy investment boutique Gateway Capital Group in Basel in 2014. The experienced portfolio management team has a long proven track record in selecting natural resources investments and is responsible for other commodity investment solutions.

* based on weighted average and/or weighted average barrels of oil equivalent (boe) numbers