

# INDUSTRIAL METALS CHAMPIONS FUND



## IMC 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 industrial metals market.

### Fund facts

#### Investment manager

Independent Capital Group AG

#### Fund name

ICG Umbrella Funds -  
Industrial Metals Champions Fund

#### Legal status

Liechtensteiner UCITS contractual fund

#### Base currency

USD

#### NAV calculation

Daily

#### Inception date UCITS Liechtenstein

03. April 2018

#### New strategy - IMC

04. December 2018

#### Fund size

USD \$5.2m

#### Benchmark

MSCI Metals & Mining Net TR Index

#### Custodian

LLB Liechtensteinische Landesbank AG

### Codes

#### Share classes

A USD Class, accumulating  
B CHF Class, accumulating

#### Bloomberg ticker

A GATNTRA LE Equity  
B GATNTRB LE Equity

#### ISIN

A LI0382154354  
B LI0382154693

#### Security

Non-voting, redeemable,  
profit participating shares

### Dealing & prices

#### Management fee p.a.

A 1.20%  
B 1.20%

No lock-up, no front load,  
no redemption fees

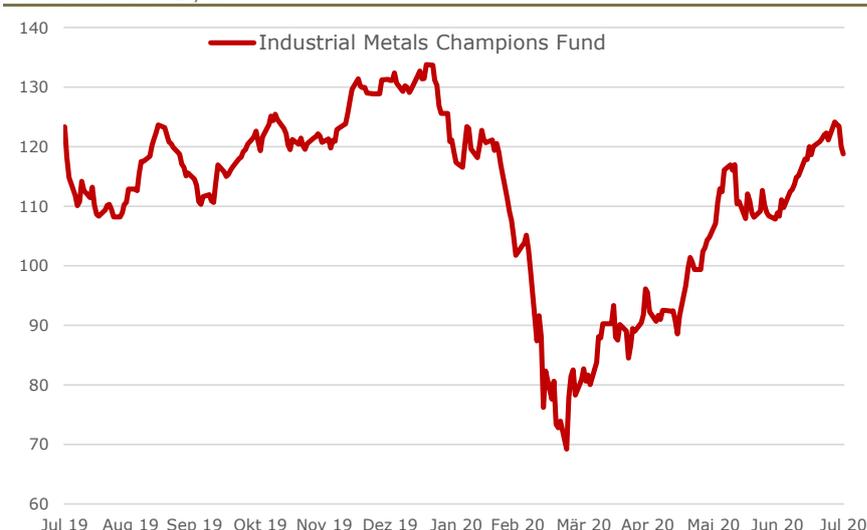
#### Trading frequency

Daily

#### Minimum subscription

One share

### Performance over 1 year



### Cumulative net performance in USD

	NAV	July	YTD	1 Year	*since IMC
	31.07.2020	30.06. - 31.07.2020			
USD class	118.8	9.1%	-9.4%	-3.7%	-5.3%
CHF class	111.2				

\*domicile status change and inception of GNR-Fund Liechtenstein 3.4.18 (performance -20.81%); Change of strategy into IMC-Fund as of 4.12.2018

### Monthly comment

Copper prices have rallied 39% from their March lows, as the combination of contracting supply, and demand from China bouncing back strongly has provided the market with an attractive story to chase prices higher. Analysts expect the market balance at 0.4% of annual demand. While this points to a marginal surplus on a full-year basis, the market should be undersupplied in 2H 2020. The copper market should flip into a modest deficit in 2021 of 0.5%, from an initially expected surplus of 0.7% - the structurally low inventory backdrop in copper and bullish investor sentiment require little to lift prices sharply. Copper stockpiles tracked by the London Metal Exchange saw the biggest monthly drop in July since 2009. Iron ore futures surged above \$110 a ton amid expectations that strong demand in China and lower supplies will leave the market in a deficit this year. According to a survey by Shanghai Metals Market, blast-furnace utilization rates rose to over 90. In Brazil, supply is set to take a little longer to return with delayed court approvals and safety tests for Vale's recovery from its dam collapse last year. The strong iron ore demand is also reflected in Australian mining giants Rio Tinto, Fortescue Metals and BHP Group's reporting of record shipments to China. The companies have reported record earnings on the back of the iron ore shipments. Australia's record iron ore exports to China, and a surge in shipments of coking and thermal coal, indicate trade in the key industrial ingredients has not suffered because of a diplomatic row between the two countries. The reporting season is in full swing. Analysts have been monitoring how miners adapt to the virus outbreak. In general, 2Q operational results have been better than expected with miners managing to maintain production, but they have reduced "non-essential" activities including waste stripping and underground development as well as extended maintenance schedules. According to analysts, most mines will be able to adapt, but the risk of disruption from Covid outbreaks or unplanned outages due to extended maintenance has increased. Start-up and ramp-up of projects are likely to be delayed and no new projects will be approved in 2020. It is believed that this will materially reduce what was expected to be healthy copper mine production growth of over 3% in 2021/22. Also, authorities in Chile are cracking down on water use by mines threatening future supply in the top copper-producing nation. By the end of July, Chile's environmental agency charged BHP Group's Escondida mine, the world's largest, for allegedly drawing more water than allowed for almost 15 years in a move that could result in the loss of its permit, closure or a fine.

**IMC Factsheet**
**Financial statistics\***

Number of holdings	25
Market cap	\$20.3bn
P/B ratio	2.1x
P/cash flow	6.1x
EV/EBITDA 2021E	5.2x
FCF yield 2021E	7.2%
Dividend yield	3.8%
Net debt/equity	21%

**Operating statistics in copper-eq.\***

Production	1'788 ktpa
Reserve life 2P	22 years
Cash costs	\$3'597/t
Cash margin	41%
EV/2P reserves	\$975/t

**Market cap. segmentation\***

Small	< \$3bn	31%
Mid	\$3 - 30bn	44%
Large	> \$30bn	24%

**Top 5 commodity exposure\***

Copper	33%
Iron Ore	29%
Steel	7%
Gold	5%
Zinc	4%

**Top 5 country exposure (production)\***

Australia	25%
Canada	12%
South Africa	10%
Chile	9%
Kazakhstan	8%

**Top 5 holdings**

OZ Minerals	5.2%
Antofagasta	4.7%
Central Asia Metals	4.5%
Fortescue Metals	4.5%
African Rainbow Minerals	4.2%

ESG transparency	IMC	Universe
CO2/Mt	240	461
Energy/UoP	306	400
Fuel Used/Mt	314	414
Women in Mngmt	9.5%	4.4%
Women on Board	24.8%	14.4%
Fatalities	0.06	0.08

**Fund administration**

Accuro Fund Solutions AG

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**July 2020**
**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 Industrial Metals 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 Industrial Metals Champions Fund offers the investor the opportunity to participate in an actively managed portfolio of natural resources companies active in the attractive industrial metals 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.

ICG Alpha Scorecard					
Asset Quality	Value	Sustainability (ESG)	Dividends	Balance Sheet	Behavioral Finance
Profitability	M&A multiple	Emissions/boe produced & 1P	Dividend yield estimates	CFPS	Momentum
Cash margins	on 1P, 2P reserves & risked resources	Energy intensity/boe	Shares buyback	Net debt/CFO-interest exp.	Short interest change
ROIC adj.	P/B	Pollution/boe	Div. growth	Net debt/1P reserves	Volatility
Avg ROCE	P/CF	Women ratio	Last div yield	Funding capacity	Newsflow
Production growth debt adj	FCB/B	Community spending	Previous div. growth	Liquidity	Analyst rating
Full cycle ratio	EV/DACF	Fatalities	Dividend health	Size	Estimate revisions
Operatorship	Relative EV/EBITDA	Board Ind.	EPS-DPS	Capex/CFO	Risk appetite
Asset diversif.	FCF	Govt ownership	FCF-DPS	Investments	Comdty exposure
Inventory depth		Insider owner	Payout Ratio	Asset disposals	Market cap
Drilling success					
Reserve rep ratio					
Reserve life					

**ICG proprietary data base**
**Investment Manager**

The Industrial Metals 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 copper-equivalent numbers

Disclaimer: The state of the origin of the Fund is Liechtenstein. In Switzerland, the Representative is LLB(Swiss) Investment AG, Claridenstrasse 20, CH-8002 Zurich, whilst the Paying agent is Bank Linth LLB AG, Zürcherstrasse 3, CH-8730 Uznach. The Basic documents of the Fund such as the prospectus, the key investor information document (KIID), the articles of association as well as the semi-annual and annual reports may be obtained free of charge at the office of the Swiss Representative. The current document is intended for information purposes only and shall not be used as an offer to buy and/or sell shares. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be reliable guide to future performance. This material has been prepared by Independent Capital Group AG, none of the administrator or the custodian and transfer agent of the Fund has independently verified any information contained herein and no party makes any representation or warranty as to the accuracy, completeness, or reliability of such information.